

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

ATTORNEY GENERAL

November 16, 1988

GREGORY P. HUWE
Assistant Attorney General

JACQUELYN E. ALBRIGHT
Special Assistant
Attorney General

6-9715

In the Matter of the Adopted Rule Relating to
Interest Rate Disclosure

The above-referenced rule has been approved as to its legality by the Attorney General on November 10, 1988.

Enclosed is the agency's copy of the approved rule. This office has already filed two copies with the Secretary of State who will forward one copy to the Revisor of Statutes. The fourth is being retained by this division of the Attorney General's Office for its records.

Also enclosed are any petitions, requests, submission or comments received by the agency and any extra copies of documents which the agency submitted to the Attorney General.

In order for a permanent rule without a hearing to become effective, your agency must publish a notice of adoption in the State Register in accoradance with Minn. Stat. §14.27. An emergency rule becomes effective five working days after approval by the Attorney General; however, the agency must publish a notice in the State Register in accordance with Minn. Stat. §14.34.

If you have any questions in this regard, please contact me.

JAL:rer

Enclosures

cc: Maryanne Hruby
Executive Director
Legislative Commission to Review
Administrative Rules

William Brown
Chief Administrative Law Judge
Office of Administrative Hearings

MJC

File No. 153 _____ Docket . 05.0009.0110

DATE RECEIVED 11/1/88 ADOPTED W/O HEARING ✓

REVIEW DATE 11/10/88 EMERGENCY RULE _____

DUE DATE 11/15/88 REVISOR APPROVED ✓

APPROVED 11/10/88 JEA REVISOR DISAPPROVED _____

DISAPPROVED _____ FILED W/SEC. OF STATE _____

WITHDRAWN _____ RETURNED TO AGENCY _____

✓ Rule as adopted (4 copies)

_____ ~~Notice to Solicit Outside Information/Opinion (if applicable)~~

_____ ~~Date published in State Register~~

_____ ~~Comments~~

_____ ~~Petition for Adoption of a Rule (if applicable)~~

_____ ~~Board's Authorizing Resolution~~

_____ ~~Date adopted~~

✓ Proposed Rule

Yes Revisor's Certificate

✓ Notice of Intent to Adopt Rule

45.023+45.025 Statutory Authority

Yes Small Business Statement

No Expenditure of public money statement

Yes Signature

✓ Statement of Need and Reasonableness (if applicable)

Yes Small Business Statement

N/A Fees - § 16A.128

✓ Affidavit of Mailing Notice of Intent to Adopt Rule

8/10/88 Date (30)/25 days before adoption

✓ Notice attached Cancelled

_____ ~~Copy of rule or summary attached~~

✓ Publication in State Register

8/15/88 Date (30)/25 days before adoption

_____ 180-day deadline from:

9/9/88 end of comment period (§ 14.26) (rules without hearing)

_____ ~~effective date of statutory authority (§ 14.29) (emergency rules)~~

_____ ~~Resolution Adopting~~

_____ ~~Date adopted~~

✓ Findings of Fact, Conclusions & Order Adopting

10/28/88 Date

✓ Written requests, submissions or comments (8)

✓ Declaration of attorney

Greg Hume Name of SAAG representing agency

✓ Notice of Submission to Atty. Gen. (if applicable)

✓ Aff. of Mailing Notice to Atty. Gen. (if applicable)

Department of Commerce

Adopted Permanent Rules Relating to Interest Rate Disclosure

Rules as Adopted

2790.1750 INTEREST RATE DISCLOSURE; DISCLOSURE SHEET.

Subpart 1. **Scope.** This part applies to life insurance policy illustrations based upon a prospective purchaser's age and sex that do not provide a comparison with another policy. For purposes of this part, "applicant" includes a person who applies to purchase or who purchases a life insurance policy.

Subp. 2. **Waiver; disclosure sheet.** The requirements of Minnesota Statutes, section 45.025, subdivision 2, are waived with respect to those life insurance policy illustrations described in subpart 1 if, before the payment of any portion of the purchase price for the policy, the applicant receives a disclosure sheet in the form prescribed by the commissioner. The disclosure sheet must be signed and dated by the applicant and the insurance agent offering or advertising the policy, and a copy of the disclosure sheet must be left with the applicant.

Subp. 3. **Contents of disclosure sheet for universal life insurance policies.** "Universal life insurance policy" means any individual life insurance policy under the provisions of which separately identified interest credits (other than in connection with dividend accumulations, premium deposit funds, or other supplementary accounts) and mortality and expense charges are made to the policy. A universal life insurance policy may provide for other credits and charges, such as charges for the cost of benefits provided by rider. The disclosure sheet must contain the following information. No additional or alternative information may be included on the disclosure sheet, for purposes of this part, without the approval of the commissioner.

LIFE INSURANCE POLICY FACT SHEET

UNIVERSAL LIFE PRODUCTS

Approved by Revisor

I. GENERAL INFORMATION

This is a life insurance policy fact sheet. Minnesota law requires that this fact sheet be provided to you before you make any payment on a life insurance policy.

II. INSURER AND BASIC POLICY INFORMATION

A. Name and Address of Insurer:

_____

_____

_____

B. Single Premium __ Annual Premium __ Other __ (check one)

C. Amount of death benefit at end of first year $_____

D. Will the death benefit vary with the interest rate credited? ___ Yes ___ No

E. Is the advertised interest rate guaranteed? ___ Yes ___ No

If yes, for how long?

III. CALCULATION OF EARNINGS ON FIRST YEAR PREMIUM

A. Amount of first year premium $_____

B. Amount of premium allocated to death benefit and expenses $_____

C. Balance upon which interest will be calculated $_____

D. Amount of interest income at advertised rate $_____

E. Policy value at end of first year $_____*

*NOTE: This value may not be available without surrender charges which are disclosed below.

IV. SURRENDER CHARGE

This policy should be purchased only for long-term planning. Surrender charges may be substantial and will be imposed as specified below, assuming that the advertised rate of interest and illustrated premiums are paid.

A. Surrender charge assessed if surrendered at the end of the first year $_____

B. The amount you will receive if you surrender at the end of the first year (III-E minus IV-A) $_____

C. Number of years for which a surrender charge is imposed _____

_____ _____

Signature of Agent Signature of Applicant

Date: ___/___/___ Date: ___/___/___

Subp. 4. Contents of disclosure sheet for other than

Approved by Revisor _____

universal life products. The disclosure sheet must contain the following information. No additional or alternative information may be included on the disclosure sheet, for purposes of this part, without the approval of the commissioner.

LIFE INSURANCE POLICY FACT SHEET

OTHER THAN UNIVERSAL LIFE PRODUCTS

I. GENERAL INFORMATION

This is a life insurance policy fact sheet. Minnesota law requires that this fact sheet be provided to you before you make any payment on a life insurance policy.

II. INSURER AND BASIC POLICY INFORMATION

A. Name and Address of Insurer:

_____

_____

_____

B. Single Premium __ Annual Premium __ Other __ (check one)

C. Amount of death benefit at end of first year $_____

D. Will the first year death benefit vary with the dividend credited or other nonguaranteed payment? ___ Yes ___ No

III. FIRST YEAR VALUES

This policy should be purchased only for long-term planning. The values shown below assume the illustrated dividend or other nonguaranteed payment and the illustrated premiums are paid.

A. Amount of first year premium $_____

B. Guaranteed cash value, end of first year $_____

C. Dividend or other nonguaranteed payment, end of first year $_____

D. The amount you will receive if you surrender at the end of the first year (III-B plus III-C minus any surrender charge) $_____

_____ _____

Signature of Agent Signature of Applicant

Date: ___/___/___ Date: ___/___/___

2790.1751 INTEREST RATE DISCLOSURE; CERTAIN GROUP CONTRACTS OR POLICIES.

Subpart 1. **Definition.** "Code" as used in this part means the United States Internal Revenue Code of 1986, as amended through December 31, 1987.

Approved by Revisor _____

Subp. 2. **Exemption.** Minnesota Statutes, section 45.025, subdivisions 2 and 5, do not apply to:

A. a group annuity contract or policy that is issued to an employer or trustee to fund an employee pension or retirement plan which is a plan described in sections 401, 403, 408(c), or 457(b) of the Internal Revenue Code, or to an employer described in section 501(c)(3) of the Internal Revenue Code to fund a pension or retirement plan; or

B. a group life insurance or group health insurance contract or policy issued to an employer, association of employees, or trustee to provide life insurance, health insurance, or disability benefits under an employee benefit plan; provided that the plan described in this item or item A has assets of at least $1,000,000 as of the date that the contract or policy is issued.

Rules as Proposed

2790.2200 PENALTY.

Violations of this chapter subject the violator to the penalties described in Minnesota Statutes, chapters 45, 60A, and 62A.

REPEALER. Minnesota Rules, part 2790.0200, is repealed.

Approved
by Revisor _____

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

NOV 16 1988

Joan Anderson Growe

Secretary of State

9:40 AM

APPROVED AS TO FORM AND LEGALITY

Nov. 10 1988

HUBERT H. HUMPHREY, III
ATTORNEY GENERAL

BY Jacquelyn E. Albright
SPECIAL ASSISTANT ATTORNEY GENERAL

SF-00006-05 (4/86)

STATE OF MINNESOTA

Office Memorandum

DEPARTMENT : ATTORNEY GENERAL

DATE : OCTOBER 31, 1988

TO : RITA DESMOND
515 Transportation Building

FROM : GREGORY P. HUWE
Assistant Attorney General

PHONE : 6-3546

SUBJECT : INTEREST RATE DISCLOSURE RULES

Rec'd 11/1

OK —

Enclosed and herewith submitted to you for the Attorney General's review pursuant to the Administrative Procedure Act and Minnesota Rules Chapter 2010 are the Rules of the Minnesota Department of Commerce governing interest rate disclosures.

Please contact me if you have any questions.

GPH:lf
Enc.
.bw4

Department of Commerce

Proposed Permanent Rules Relating to Interest Rate Disclosure

Rules as Proposed (all new material)

2790.1750 INTEREST RATE DISCLOSURE; DISCLOSURE SHEET.

Subpart 1. **Scope.** This part applies to life insurance policy illustrations based upon a prospective purchaser's age and sex that do not provide a comparison with another policy. For purposes of this part, "applicant" includes a person who applies to purchase or who purchases a life insurance policy.

Subp. 2. **Waiver; disclosure sheet.** The requirements of Minnesota Statutes, section 45.025, subdivision 2, are waived with respect to those life insurance policy illustrations described in subpart 1 if, before the payment of any portion of the purchase price for the policy, the applicant receives a disclosure sheet in the form prescribed by the commissioner. The disclosure sheet must be signed and dated by the applicant and the insurance agent offering or advertising the policy, and a copy of the disclosure sheet must be left with the applicant.

Subp. 3. **Contents of disclosure sheet for universal life insurance policies.** "Universal life insurance policy" means any individual life insurance policy under the provisions of which separately identified interest credits (other than in connection with dividend accumulations, premium deposit funds, or other supplementary accounts) and morality and expense charges are made to the policy. A universal life insurance policy may provide for other credits and charges, such as charges for the cost of benefits provided by rider. The disclosure sheet must contain the following information. No additional or alternative information may be included on the disclosure sheet, for purposes of this part, without the approval of the commissioner.

LIFE INSURANCE POLICY FACT SHEET

UNIVERSAL LIFE PRODUCTS

I. GENERAL INFORMATION

This is a life insurance policy fact sheet. Minnesota law requires that this fact sheet be provided to you before you make any payment on a life insurance policy.

II. INSURER AND BASIC POLICY INFORMATION

A. Name and Address of Insurer:

_____

_____

_____

B. Single Premium __ Annual Premium __ Other __ (check one)

C. Amount of death benefit at end of first year $_____

D. Will the death benefit vary with the interest rate credited? ___ Yes ___ No

E. Is the advertised interest rate guaranteed? ___ Yes ___ No

If yes, for how long? _____

III. CALCULATION OF EARNINGS ON PREMIUM

A. Amount of first year premium $_____

B. Amount of premium allocated to death benefit and expenses $_____

C. Balance upon which interest will be calculated $_____

D. Amount of interest income at advertised rate $_____

E. Policy value at end of first year $_____*

*NOTE: This value may not be available without surrender charges which are disclosed below.

IV. SURRENDER CHARGE

This policy should be purchased only for long-term planning. Surrender charges may be substantial and will be imposed as specified below, assuming that the advertised rate of interest and illustrated premiums are paid.

A. Surrender charge assessed if surrendered at the end of the first year $_____

B. The amount you will receive if you surrender at the end of the first year (III-E minus IV-A) $_____

C. Number of years for which a surrender charge is imposed _____

_____ _____

Signature of Agent Signature of Applicant

Date: ___/___/___ Date: ___/___/___

Subp. 4. **Contents of disclosure sheet for other than**

universal life products. The disclosure sheet must contain the following information. No additional or alternative information may be included on the disclosure sheet, for purposes of this part, without the approval of the commissioner.

LIFE INSURANCE POLICY FACT SHEET

OTHER THAN UNIVERSAL LIFE PRODUCTS

I. GENERAL INFORMATION

This is a life insurance policy fact sheet. Minnesota law requires that this fact sheet be provided to you before you make any payment on a life insurance policy.

II. INSURER AND BASIC POLICY INFORMATION

A. Name and Address of Insurer:

_____

_____

_____

B. Single Premium __ Annual Premium __ Other __ (check one)

C. Amount of death benefit at end of first year $_____

D. Will the first year death benefit vary with the dividend credited or other nonguaranteed payment? ___ Yes ___ No

III. FIRST YEAR VALUES

This policy should be purchased only for long-term planning. The values shown below assume the illustrated dividend or other nonguaranteed payment and the illustrated premiums are paid.

A. Amount of first year premium $_____

B. Guaranteed cash value, end of first year $_____

C. Dividend or other nonguaranteed payment, end of first year $_____

D. The amount you will receive if you surrender at the end of the first year (III-B plus III-C) $_____

_____ _____

Signature of Agent Signature of Applicant

Date: ___/___/___ Date: ___/___/___

2790.1751 INTEREST RATE DISCLOSURE; CERTAIN GROUP CONTRACTS OR POLICIES.

Subpart 1. **Definition.** "Code" as used in this part means the United States Internal Revenue Code of 1986, as amended through December 31, 1987.

Subp. 2. **Exemption.** Minnesota Statutes, section 45.025,

subdivisions 2 and 5, do not apply to:

A. a group annuity contract or policy that is issued to an employer or trustee to fund an employee pension or retirement plan which is a plan described in sections 401, 403, 408(c), or 457(b) of the Internal Revenue Code, or to an employer described in section 501(c)(3) of the Internal Revenue Code to fund a pension or retirement plan; or

B. a group life insurance or group health insurance contract or policy issued to an employer, association of employees, or trustee to provide life insurance, health insurance, or disability benefits under an employee benefit plan; provided that the plan described in this item or item A has assets of at least $1,000,000 as of the date that the contract or policy is issued.

Rules as Proposed

2790.2200 PENALTY.

Violations of this chapter subject the violator to the penalties described in Minnesota Statutes, chapters 45, 60A, and 62A.

REPEALER. Minnesota Rules, part 2790.0200, is repealed.

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Interest Rate Disclosure

AGENCY: Department of Commerce

MINNESOTA RULES: Chapter 2790

The attached rules are approved for publication in the State Register

Paul M. Marinac
Assistant Deputy Revisor

State of Minnesota
Department of Commerce

In the Matter of the Proposed Adoption of Rules Relating to Interest Rate Disclosure

Notice of Intent to Adopt Rules Without a Public Hearing

Notice is hereby given that the Department of Commerce intends to adopt the above-entitled rules without a public hearing following the procedures set forth in the Administrative Procedures Act for adopted rules without a public hearing in Minnesota Statutes, section 14.22-14.28. Authority for the adoption of these rules is contained in Minnesota Statutes, Section 45.023 and 45.025.

All persons have 30 days to submit comments in support of or in opposition to the proposed rule or any part or subpart of the rule. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed. The proposed rules may be modified if the modifications are supported by the data and views submitted to the Department and do not result in a substantial change.

Any person may make a written request for a public hearing within the 30 day comment period. If 25 or more persons submit a written request for a public hearing within the 30 day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the department will proceed pursuant to Minnesota Statutes, sections 14.13 to 14.20.

Persons who wish to submit comments or a written request for a public hearing should submit them to:

Patricia Peterson
Staff Attorney
Department of Commerce
500 Metro Square Building
St. Paul, MN 55101
(612) 296-2284

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rules has been prepared and is available upon request from Patricia Peterson.

Pursuant to Minnesota Statutes Section 14.115, subdivision 2, the impact on small business has been considered in the promulgation of the rules. Anyone wishing to present evidence or argument as to the rules' effect on small business may do so. The Department's position regarding the impact of the rules on small business is set forth in the Statement of Need and Reasonableness.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rule, must submit the written request to Patricia Peterson.

Michael A. Hatch
Commissioner of Commerce

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

IN THE MATTER OF THE PROPOSED) RULES REGARDING THE INTEREST) RATE DISCLOSURE REQUIREMENETS) FOR CERTAIN LIFE INSURANCE) PRODUCTS)	STATEMENT OF NEED AND REASONABLENESS

STATEMENT OF AUTHORITY

Minnesota Statutes Section 45.025, (sometimes referred to as the "Interest Rate Disclosure Law") prohibits any person from advertising the interest rate of an investment product unless certain disclosure requirements are met. Specifically Minnesota Statute Section 45.025, subdivision 2 requires disclosure at the effective net annual yield which is defined as: "The effective annual yield, based on a hypothetical $1,000 investment, minus any annual fee or similar regular periodic charges." Subdivision 6 of Minnesota Statutes Section 45.025 gives the Commissioner of Commerce, hereinafter the Commissioner, authority by rule or order to waive or defer implementation of the provisions of subdivision 2 to 5 of the Interest Rate Disclosure Law with regard to persons who are regulated by the Securities and Exchange Commission or other regulatory agencies. Additional rulemaking authority provided in Minnesota Statutes Section 45.023 authorizes the Commissioner to "adopt, amend, suspend, or repeal rules ... whenever necessary or proper in discharging the Commissioner's official responsibilities."

The Commissioner finds the proposed rules to be necessary and appropriate in the public interest and consistent with the purposes fairly intended by the policies and provisions of chapters 45, 60A, and 72A.

HISTORY

The Commissioner has met on numerous occasions with insurance company and agent representatives who have requested assistance in interpreting the Interest Rate Disclosure Law as it applies to life insurance products. These representatives have stated that the statutory format for disclosing the effective net annual yield found in Minnesota Statute Section 45.025, subdivision 2 is not an effective or relevant disclosure for life insurance policies. As a result of the meetings between the Department of Commerce, hereinafter the Department, and the life insurance industry, two disclosure sheets have been designed to provide consumers with meaningful interest rate disclosure in a uniform and understandable form. The Department and the industry representatives considered a series of proposals and a number of drafts of the disclosure sheets before agreeing on the two forms which appear in proposed Minnesota Rules Part 2790.1750. The proposed rule containing these disclosure sheets was developed through meetings and discussions with all interested groups and responds to the concerns raised by the various parties to the extent compatable with the legislative intent of Minnesota Statute Section 45.025.

FACTS ESTABLISHING NEED AND REASONABLESS

Rule Part 2790.1750

The proposed rule is intended to provide a method of meeting the disclosure requirements of Minnesota Statute Section 45.025 which is both commercially reasonable and meaningful to the life insurance consumer. The Commissioner has found that it is necessary to promulgate a rule providing a separate format for compliance with the statute for life insurance products because these products are so different in design from other interest sensitive products. Life insurance policies are designed for long term investment. They combine a non-interest generating insurance product

with an investment product which does generate interest. Thus the bare statutory requirement of disclosing net effective annual yield fails to provide complete disclosure.

Before drafting the disclosure forms, the Department reviewed the complaints which have been received regarding the marketing of life insurance products. Specifically, marketing techniques have resulted in consumer complaints in three basic areas:

(1) Misrepresentation as to the nature of the policy being sold: the agent fails to adequately disclose that the policy contains a life insurance component and should be purchased only for long-term investment purposes;

(2) Misrepresentation as to the amount of interest income that will be generated by the life insurance policy, and

(3) Misleading or inadequate information about withdrawal penalties and surrender charges.

The proposed rule is intended to provide the general disclosure required by the statute and to address these specific marketing complaints.

Subpart 1 of the proposed rule makes it clear that the rule applies only in the rather narrow situation where an agent or company is presenting a life insurance policy illustration which is based upon the prospective purchaser's age and sex and does not provide a comparison with another policy.

Subpart 2 of the proposed rule waives the provision under Minnesota Statute Section 45.025 requiring disclosure of the effective net annual yield with respect to those life insurance illustrations described in 2790.1750, subp. 1, if before the payment of any portion of the purchase price for the policy, the applicant receives a disclosure sheet in the form prescribed by the Commissioner. The Commissioner finds that the information contained in the disclosure sheet will assist consumers in evaluating the interest potential of the policy to a greater extent than the mere disclosure of the effective net annual yield. To insure compliance with the delivery requirement under subpart 2, both the agent

and the applicant will be required to sign and date the disclosure sheet. In addition, a copy of the disclosure sheet must be left with the applicant.

Subpart 3 of the proposed rule sets forth the format of the fact sheet to be used in connection with the offer and sale of universal life products. No alternative form of disclosure will be permitted without the prior approval of the Commissioner.

Section I of the fact sheet is intended to clearly identify the policy being offered as a life insurance policy. Consequently, the consumer will be informed that a portion of his or her first year contribution will be used to pay for the death benefit and administrative costs of the policy, and therefore, will not generate interest. Complaints filed with the Department have indicated that marketing of universal life insurance products often emphasizes the investment aspects of such policies, and fails to disclose the insurance aspects and the costs associated with that insurance.

Section II of the fact sheet provides the name and address of the insurance company offering the policy, the death benefit, whether the advertised interest rate is guaranteed and, if so, the period of time for which it is guaranteed. Complaints to the Department indicate that consumers have discovered after they purchased a life insurance policy that the guaranteed rate is significantly lower than the advertised rate. This section shows the life insurance aspects of the policy.

Section III of the disclosure sheet describes what a purchaser can expect to earn on the policy at the end of the first year. The Commissioner believes that a purchaser is entitled to know in exact figures what the value of his or her investment will be at the end of the first year, so that he or she can compare that insurance product to other types of investment products. Section III separately lists the first year's premium, the amount of the premium which will be allocated to death benefits and expenses, as required by subdivision 2 of the statute, the balance upon which interest will be calculated, the interest income at the advertised rate and the policy value at the end of the first year. By itemizing the dollars which will be allocated to death benefits and

expenses, and deducting this from the first year's premium, the purchaser will be able to see the balance upon which interest will be calculated and thus, will be fully able to calculate the net effective annual yield of the product. Finally, Section IV of the disclosure sheet notifies the purchaser that the policy should be purchased only for long term planning and that there may be significant surrender charges or early withdrawal penalties. This section will set forth the surrender charges assessed if the policy is surrenderd at the end of the first year pursuant to subdivision 2 of the statute and the amount which will be received if the policy is surrendered at the end of the first year. Furthermore it requires disclosure of the number of years that the surrender charge will be imposed. The Commissioner hopes that, given this information, the purchaser will see that the policy is a long term financial vehicle and will be able to evaluate the policy in connection with his or her long term financial planning needs.

Subpart IV of the rule sets forth the contents of the disclosure sheet for life insurance products other than universal life. The second form is necessary for those products, generally participating life insurance policies, which are "bundled" products. These policies do not have separately identifiable mortality and expense charges or interest credits. Therefore, the language of the first form, with its references to death benefits and expense allocations, is clearly inapplicable to the bundled product.

Section I of the fact sheet again sets forth the type of investment product which is being sold.

Section II gives the name and address of the insurance copany. It also discloses to the applicant whether the premium is a single or annual one, the amount of the death benefit at the end of the first year and whether or not that death benefit will vary with the dividend credited or other non-guaranteed payment. This portion of the fact sheet provides disclosure of the life insurance components of the policy and is intended to make it clear to the consumer that he or she is purchasing an insurance policy.

Section III of this fact sheet tells the applicant that the policy

should be purchased for long term planning. It discloses to the applicant the amount of the first year premium, the guaranteed cash value at the end of the first year, the dividend or other non-guaranteed payment at the end of the first year and the amount the applicant will receive if the policy is surrendered at the end of the first year. Again, disclosure of these items show the investment nature of the product and provide the same information as simple disclosure of the net effective annual yield would provide.

Rule Part 2790.1751

The intent of this rule is to waive the provision of Minnesota Statute Section 45.025, subdivision 2 and 5 with regard to the persons regulated by the SEC and other regulatory bodies. Specific authority for this appears at Minnesota Statute 45.025, subdivision 6.

Subpart 1 of this rule defines the term "Code" as the United States Internal Revenue Code of 1986, as amended through December 31, 1987.

Subpart 2a provides that Subdivisions 2 and 5 of Minnesota Statutes Section 45.025 do not apply to group annuity contracts or policies issued to an employer or trustee to fund an employee pension or retirement plan which is described in sections 401, 403, 408(C), or 457(B) of the Code or to an employer described in section 501(c)(3) of the Code to fund a pension or retirement plan.

The field of pension and retirement funds is occupied by ERISA and subject to the regulation of the United States Department of Labor. Because there is regulation by another agency and because these employers and trustees purchasing these contracts and policies are sophisticated individuals, the Commissioner is exercising his statutory power to waive the provisions of Subdivisions 2 and 5 of the Interest Rate Disclosure Law.

Subpart 2b of the rule waive the application of Subdivisions 2 and 5 of Minnesota Statute Section 45.025 for group life insurance or group health insurance contracts or policies issued to employers, associations of employees or trustees to provide life, health or disability benefits under a employee benefit plan if the plan has assets of at least $1,000,000. This waiver is necessary and proper in view of the regulatory authority

exercised by the federal government over many of these plans through ERISA. The Commissioner finds that the purchaser of these contracts (plans which have assets of at least $1,000,000) are not unlike the institutional buyers or accredited investors under various securities statutes and therefore, do not require the same protections as the average consumer.

The purpose of the above rules in their entirety is to give the life insurance applicant the information necessary to make an informed decision. The rules merely require a complete disclosure of the facts relevant to the formation of a thoughtful financial decision.

SMALL BUSINESS CONSIDERATIONS

Minnesota Statutes section 14.115 requires that the impact on small businesses be considered in the development of proposed rules. Specifically, the statute, at subdivision 2, requires the agency to consider less stringent compliance standards and reporting requirements for small businesses. The statute also requires that the rule incorporate methods designed to reduce the impact on small businesses if those methods are feasible and consistent with the statutory objectives associated with the rules.

In drafting the proposed rule, the Department considered whether the provisions of the rule might be modified to accommodate the interests of small businesses. Consideration was given to possible ways in which the requirements might be relaxed for small businesses or amended to reduce any burden on small businesses. Comments regarding the proposed rules were solicited from small business, specifically insurance agencies, through several issues of the Commerce Contact. The Commissioner has spoken to numerous groups of agents about the rule. The rule was also discussed at the 1988 Insurance Road Shows which thousands of agents attended. Members of the audience were given a chance to ask questions and make comments during these Road Shows. Further Rhoda Toles, the Director of the Minnesota Association of Life Underwriters, a group largely composed of

agents, was a participant in the meetings between the Department and the industry. The Commissioner concludes that compliance would not unduly burden small business.

Each of the methods described at Minnesota Statutes Section 14.115, subdivision 2(a) - 3 was considered in proposing the rule. The provisions contained in the proposed rule are believed to be necessary to achieve the legislative purposes.

In the Matter of the Proposed Rules
Relating to Interest Rate Disclosure

STATE OF MINNESOTA)
) ss
COUNTY OF RAMSEY)

AFFIDAVIT OF
MAILING

Jane Schaub being first duly sworn, deposes and says:

I hereby certify that the list of persons, associations, and other interested groups who have requested, pursuant to Minnesota Statutes, section 14.14, subd. 1a, that their names be placed on file with and maintained by the Department of Commerce for the purpose of receiving notice of the proposed adoption of rules is accurate and complete as of 12:00 P.M., this 10th day of August 1988.

That on the 10th day of August 1988, at the City of St. Paul, County of Ramsey, State of Minnesota, the attached Notice of Intent to Adopt Rules Without a Public Hearing was served by depositing in the State of Minnesota Central Mail System for United States mailing at said City of St. Paul, a copy properly prepared with first-class postage prepaid, on all persons and associations who have requested that their names be placed on file with the Minnesota Department of Commerce for the purpose of receiving notice of the proposed adoption of rules by the department.

Jane Schaub
Jane Schaub

Subscribed and sworn to before me
this 10th day of Augsut 1988.

Cynthia L. Claason
Notary Public

CYNTHIA L. CLAASON
NOTARY PUBLIC-MINNESOTA
RAMSEY COUNTY
MY COMMISSION EXPIRES FEBRUARY 11, 1992

7080.0010; .0020; .0030; .0040; .0060; .0080; .0100; .0110; .0120; .0130; .0150; .0160; .0170; .0200; .0210 (proposed) .. 232
7080.0020 s.17, 22, 51; .0220; .0230; .0240 (proposed repealer) 232

Public Safety Department

(see merit system rules 9575.0620) (proposed) 171
7406.0450 (proposed) 344

Minnesota Racing Commission

7869.0100; 7870.0490; 7877.0110; .0170; .0175; 7883.0160; .7884.0170; 7890.0100; .0140; 7891.0100; 7895.0100 (adopted) 38

Secretary of State

8210.0200; .9910; 8230.4350 (adopted) 259
8250.0100; .0600; .1600-.1800; .9910; .9920 (adopted) 347

Reinvest in Minnesota (RIM) Reserve Program

8400.3000-.3930 (proposed) 109

Transportation Department

8850.6900-.9050; 8855.0300-.0850 (adopted) 38
7800.0100 s.2,9,10; .0300; .1200; .1300; .1900; .3500; .3700-8200; 7805.1400-.3600 (repealed) 38

Human Services Department

9503.0005-.0170 (adopted) 173
9505.0175; .0476-.0491 (proposed) 215
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9505.2250; .2260; .2270; .2280; .2290; .2300; .2310; .2320; .2330; .2340; .2350; .2360; .2370; .2380 (repealed) 258
9545.0510-.0670 (repealed) 173
9549.0059; .0060 (adopted) 130
9560.0210-.0234 (adopted) 303
9560.0250; .0260; .0270; .0280; .0290; .0300 (repealed) 303
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Workers' Compensation Court of Appeals

9800.0100; .0300; .0400;.0500; .0510; .0900 .1000; .1100; .1400; .1500; .1600; .1710; .1720; .1800 (proposed) .. 34
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Proposed Rules

Pursuant to Minn. Stat. of 1982, §§ 14.22, an agency may propose to adopt, amend, suspend or repeal rules without first holding a public hearing, as long as the agency determines that the rules will be noncontroversial in nature. The agency must first publish a notice of intent to adopt rules without a public hearing, together with the proposed rules, in the *State Register*. The notice must advise the public:

1. that they have 30 days in which to submit comment on the proposed rules;
2. that no public hearing will be held unless 25 or more persons make a written request for a hearing within the 30-day comment period;
3. of the manner in which persons shall request a hearing on the proposed rules; and
4. that the rule may be modified if the modifications are supported by the data and views submitted.

If, during the 30-day comment period, 25 or more persons submit to the agency a written request for a hearing of the proposed rules, the agency must proceed under the provisions of §§ 14.14-14.20, which state that if an agency decides to hold a public hearing, it must publish a notice of intent in the *State Register*.

Pursuant to Minn. Stat. §§ 14.29 and 14.30, agencies may propose emergency rules under certain circumstances. Proposed emergency rules are published in the *State Register* and, for at least 25 days thereafter, interested persons may submit data and views in writing to the proposing agency.

Department of Commerce

Proposed Permanent Rules Relating to Interest Rate Disclosure

Notice of Intent to Adopt Rules Without a Public Hearing

Notice is hereby given that the Department of Commerce intends to adopt the above-entitled rules without a public hearing following the procedures set forth in the Administrative Procedures Act for adopted rules without a public hearing in *Minnesota Statutes,* section 14.22-14.28. Authority for the adoption of these rules is contained in *Minnesota Statutes*, Section 45.023 and 45.025.

All persons have 30 days to submit comments in support of or in opposition to the proposed rule or any part or subpart of the rule. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed. The proposed rules may be modified if the modifications are supported by the data and views submitted to the Department and do not result in a substantial change.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

Any person may make a written request for a public hearing within the 30 day comment period. If 25 or more persons submit a written request for a public hearing within the 30 day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the department will proceed pursuant to *Minnesota Statutes*, sections 14.13 to 14.20.

Persons who wish to submit comments or a written request for a public hearing should submit them to:

Patricia Peterson
Staff Attorney
Department of Commerce
500 Metro Square Building
St. Paul, MN 55101
(612) 296-2284

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rules has been prepared and is available upon request from Patricia Peterson.

Pursuant to *Minnesota Statutes* Section 14.115, subdivision 2, the impact on small business has been considered in the promulgation of the rules. Anyone wishing to present evidence or argument as to the rules' effect on small business may do so. The Department's position regarding the impact of the rules on small business is set forth in the Statement of Need and Reasonableness.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rule, must submit the written request to Patricia Peterson.

Michael A. Hatch
Commissioner of Commerce

Rules as Proposed (all new material)

2790.1750 INTEREST RATE DISCLOSURE; DISCLOSURE SHEET.

Subpart 1. **Scope.** This part applies to life insurance policy illustrations based upon a prospective purchaser's age and sex that do not provide a comparison with another policy. For purposes of this part, "applicant" includes a person who applies to purchase or who purchases a life insurance policy.

Subp. 2. **Waiver; disclosure sheet.** The requirements of *Minnesota Statutes*, section 45.025, subdivision 2, are waived with respect to those life insurance policy illustrations described in subpart 1 if, before the payment of any portion of the purchase price for the policy, the applicant receives a disclosure sheet in the form prescribed by the commissioner. The disclosure sheet must be signed and dated by the applicant and the insurance agent offering or advertising the policy, and a copy of the disclosure sheet must be left with the applicant.

Subp. 3. **Contents of disclosure sheet for universal life insurance policies.** "Universal life insurance policy" means any individual life insurance policy under the provisions of which separately identified interest credits (other than in connection with dividend accumulations, premium deposit funds, or other supplementary accounts) and mortality and expense charges are made to the policy. A universal life insurance policy may provide for other credits and charges, such as charges for the cost of benefits provided by rider. The disclosure sheet must contain the following information. No additional or alternative information may be included on the disclosure sheet, for purposes of this part, without the approval of the commissioner.

LIFE INSURANCE POLICY FACT SHEET
UNIVERSAL LIFE PRODUCTS

I. GENERAL INFORMATION

This is a life insurance policy fact sheet. Minnesota law requires that this fact sheet be provided to you before you make any payment on a life insurance policy.

II. INSURER AND BASIC POLICY INFORMATION

A. Name and Address of Insurer:

_____

_____

_____

B. Single Premium _____ Annual Premium _____ Other _____ (check one)

C. Amount of death benefit at end of first year $_____

D. Will the death benefit vary with the interest rate credited? _____ Yes _____ No

E. Is the advertised interest rate guaranteed? _____ Yes _____ No

If yes, for how long?

III. CALCULATION OF EARNINGS ON PREMIUM

A. Amount of first year premium $_____

B. Amount of premium allocated to death benefit and expenses $_____

C. Balance upon which interest will be calculated $_____

D. Amount of interest income at advertised rate $_____

E. Policy value at end of first year $_____*

*NOTE: This value may not be available without surrender charges which are disclosed below.

IV. SURRENDER CHARGE

This policy should be purchased only for long-term planning. Surrender charges may be substantial and will be imposed as specified below, assuming that the advertised rate of interest and illustrated premiums are paid.

A. Surrender charge assessed if surrendered at the end of the first year $_____

B. The amount you will receive if you surrender at the end of the first year (III-E minus IV-A) $_____

C. Number of years for which a surrender charge is imposed _____

_____ _____

Signature of Agent
Date: _____/_____/_____

Signature of Applicant
Date: _____/_____/_____

Subp. 4. **Contents of disclosure sheet for other than universal life products.** The disclosure sheet must contain the following information. No additional or alternative information may be included on the disclosure sheet, for purposes of this part, without the approval of the commissioner.

LIFE INSURANCE POLICY FACT SHEET OTHER THAN UNIVERSAL LIFE PRODUCTS

I. GENERAL INFORMATION

This is a life insurance policy fact sheet. Minnesota law requires that this fact sheet be provided to you before you make any payment on a life insurance policy.

II. INSURER AND BASIC POLICY INFORMATION

A. Name and Address of Insurer:

_____

_____

_____

B. Single Premium _____ Annual Premium _____ Other _____ (check one)

C. Amount of death benefit at end of first year $_____

D. Will the first year death benefit vary with the dividend credited or other nonguaranteed payment? _____ Yes _____ No

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

III. FIRST YEAR VALUES

This policy should be purchased only for long-term planning. The values shown below assume the illustrated dividend or other nonguaranteed payment and the illustrated premiums are paid.

A. Amount of first year premium $_____

B. Guaranteed cash value, end of first year $_____

C. Dividend or other nonguaranteed payment, end of first year $_____

D. The amount you will receive if you surrender at the end of the first year (III-B plus III-C) $_____

_____ _____

Signature of Agent
Date: ____/____/____

Signature of Applicant
Date: ____/____/____

2790.1751 INTEREST RATE DISCLOSURE; CERTAIN GROUP CONTRACTS OR POLICIES.

Subpart 1. **Definition.** "Code" as used in this part means the United States Internal Revenue Code of 1986, as amended through December 31, 1987.

Subp. 2. **Exemption.** *Minnesota Statutes,* section 45.025, subdivisions 2 and 5, do not apply to:

A. a group annuity contract or policy that is issued to an employer or trustee to fund an employee pension or retirement plan which is a plan described in sections 401, 403, 408(c), or 457(b) of the Internal Revenue Code, or to an employer described in section 501(c)(3) of the Internal Revenue Code to fund a pension or retirement plan; or

B. a group life insurance or group health insurance contract or policy issued to an employer, association of employees, or trustee to provide life insurance, health insurance, or disability benefits under an employee benefit plan; provided that the plan described in this item or item A has assets of at least $1,000,000 as of the date that the contract or policy is issued.

Rules as Proposed

2790.2200 PENALTY.

Violations of this chapter subject the violator to the penalties described in *Minnesota Statutes,* chapters 45, 60A, and 62A.

REPEALER. *Minnesota Rules,* part 2790.0200, is repealed.

Pollution Control Agency

Proposed Permanent Rules Relating to Individual On-Site Wastewater Treatment Grants

Notice of Intent to Adopt Rules Without a Public Hearing

Notice is hereby given that the Minnesota Pollution Control Agency (Agency) intends to adopt the above-entitled rules without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes* §§ 14.22 to 14.28 (1986). The Agency's authority to adopt the rule is set forth in *Minnesota Statutes* § 116.18, Subd. 3c(f) (Supp. 1987).

All persons have until 4:30 p.m. on September 15, 1988, to submit comments in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. Each comment should identify the portion of the proposed rules addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rules within the comment period. If 25 or more persons submit a written request for a public hearing within the comment period, a public hearing will be held unless a sufficient number withdraw their requests in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rules addressed, the reason for the request, and any change proposed. If a public hearing is required, the Agency will proceed pursuant to *Minnesota Statutes* §§ 14.131 to 14.20 (1986).

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

In the Matter of the Proposed Rules Regarding Interest Rate Disclosure

FINDINGS OF FACT CONCLUSIONS & ORDER OF ADOPTION

Notice of the Commissioner's proposed adoption of the above-entitled rules without public hearing was published in the State Register at 13 S.R. 335 on August 15, 1988. On August 10, 1988, the Department of Commerce sent copies of the Notice by United States mail to all persons on the list maintained by the agency pursuant to Minnesota Statutes, Section 14.14, Subdivision 1, paragraph (a) and 14.22.

All persons were given the opportunity to submit comments on the rule for thirty days after notice of proposed rulemaking. Less than twenty-five persons submitted requests for hearing within the thirty day comment period.

Based upon the comments and evidence on the record I find the following: 1. That part 2790.1750, Subpart 3. should be amended to : "III CALCULATIONS OF EARNINGS ON FIRST YEAR PREMIUM." This change is not substantial and clarifies that Section III applies only to the first year as is clearly set forth at page 4 of The Statement of Need and Reasonableness. 2. That part 2790.1750, Subpart 4, Section III-D should be amended to reflect any surrender charges imposed. Therefore, that provision should read. "D. The amount you will receive if you surrender at the end of the first year (III-B plus III-C minus any surrender charge)." Line D exists to show the amount the insured will receive if the policy is surrendered at the end of the first year. At the time, the rule was drafted, the Department was not aware that the Other Than Universal policies contained surrender charges. Some of these policies do have such charges, however, and it is impossible to determine what the insured would receive at the end of the first year if those surrender charges are not deducted. Again, this change is not substantial and is necessary to accurate interest rate disclosure. As to the balance of the abovecaptioned rules, they are needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rules identified as the Rules Relating to Interest Rate Disclosure, as modified above, are adopted this 28 day of October, 1988 pursuant to the authority vested in me by Minnesota Statutes, Section 155A.05.

MICHAEL A. HATCH
Commissioner of Commerce

Dated this 28th day
of October 1988.

DECLARATION OF COUNSEL

In the Matter of the Adoption
of the Rules of the State Commerce
Department Governing Interest Rate
Disclosures.

I, Gregory P. Huwe, Assistant Attorney General do hereby declare that I have examined the above-captioned rule and the supporting rulemaking record and that based on my examination the Administrative Procedure Act and Minnesota Rules Chapter 2010 have been followed, with the exception noted below. For Attorney General billing purposes the four digit docket client code is 0110.

Dated: Oct. 31, 1988

Gregory P. Huwe

GREGORY P. HUWE
Assistant Attorney General

1100 Bremer Tower
7th Place & Minnesota Street
St. Paul, Minnesota 55155
Telephone: (612) 296-9412

*The notice of intent to adopt rules without a public hearing does not include a statement that the proposed rule is attached to the notice or a statement summarizing the nature and effect of the proposed rule and a manner in which a free copy may be requested. I have been informed, however, that a copy of the proposed rule was indeed attached to the notice sent to persons on the agency rulemaking list.

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

In the Matter of the Proposed Adoption
of the Rule of the State Department of Commerce
Governing Interest Rate Disclosure

NOTICE OF
SUBMISSION OF
RULE ADOPTED
WITHOUT PUBLIC
HEARING TO THE
ATTORNEY GENERAL

Pursuant to your request and in accordance with Minnesota Statutes, section 14.26:

PLEASE TAKE NOTICE that the above-captioned rule as adopted has been submitted to the Office of the Attorney General on the date of this notice, October 28, 1988, for review as to legality and form to the extent form relates to legality. The proposed rule, the rule as adopted, all the notices, the Statement of Need and Reasonableness, all written comments and requests for a hearing received, and other required documents also have been submitted to the Attorney General.

The proposed rule which was published in the State Register and made available to the public on August 15, 1988, has been modified. A copy of the rule as modified is enclosed with this notice.

The rule must be approved or disapproved by the Attorney General within 14 calendar days of the date of submission to the attorney general. You may submit written comments to the attorney general on the legality of the rule. Any written comments must be submitted within eight calendar days of the date of submission of the rule to the Attorney General. Your comments must address only the issue of legality of the rule or the legality of the specific parts or subparts of the rule. The attorney general standards for review are set forth in Minnesota Rules, part 2010.1000. You may receive a copy of the attorney general decision upon written request to the attorney general. Your comments or requests for the decision must be directed to:

The Office of the Attorney General
515 Transportation Building
John Ireland Blvd.
Saint Paul, Minnesota 55155
Telephone Number: (612) 297-2040

Any written comments submitted to the Attorney General must be submitted simultaneously to:

Patricia Peterson
Department of Commerce
500 Metro Square
St. Paul, MN 55101
(612) 296-2284

Commissioner of Commerce

Dated: Oct. 28, 1988

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

In the Matter of the Proposed Adoption
of the Rule of the State Department of Commerce
Governing Interest Rate Disclosure

AFFIDAVIT OF
MAILING THE NOTICE
OF SUBMISSION OF
RULE ADOPTED
WITHOUT PUBLIC
HEARING TO THE
ATTORNEY GENERAL

STATE OF MINNESOTA)
)ss.
COUNTY OF Ramsey)

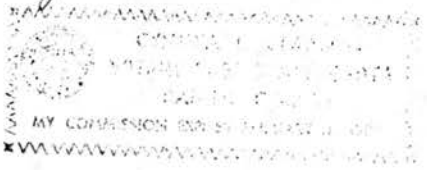
Heidi Ann Almquist, being sworn says:

That on the 28th day of October, 1988, in the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notice of Submission to the Attorney General by depositing in the State of Minnesota Central Mail System for United States mailing (United States-mail), a copy thereof, with postage prepaid, to all persons and associations who requested notice that the rule in the above-entitled matter has been submitted to the Attorney General.

Heidi Almquist
Executive Aide

Subscribed and sworn to before me
this 28th day of October, 1988.

Cynthia L. Claason



SF-00006-03

STATE OF NESOTA

DEPARTMENT

Office Memorandum

TO: Al Gilbert

DATE: 10/28/88

FROM: Heidi Almquist

PHONE: 297-3238

SUBJECT: Interest Disclosure Rules

Enclosed are copies of the following materials regarding the above-captioned rules:

1. Notice of Intent to Solicit Outside Opinion as published in State Register (2010.0300 A) (N/A)
2. Copy of the Proposed Rules with Revisor's Certificate (2010.0300 D)
3. Notice of Intent to Adopt Rule Without Public Hearing (2010.0300 E)
4. Statement of Need and Reasonableness (2010.0300 F)
5. Affadavit of Mailing Notice of Intent to Adopt Rule Without Public Hearing (2010.0300 G)
6. Copy of Notice of Intent to Adopt Rule Without Public Hearing and Rules as published in the State Register (2010.0300 H)
7. Four copies of Rule as adopted (2010.0300 I)
8. Findings of Fact, Conclusions & Order Adopting Rule (2010.0300 K)
9. Written Comments, Submission & Requests on Rule (2010.0300 L)
10. Notice of Submission of Attorney General (2010.0300 N)
11. Affadavit of Mailing Notice of Submission to Attorney General (2010.0300 O)

OCT 2 8. 88
[illegible] GENERAL'S [illegible]
[illegible] BREMER TOW[illegible]
7TH PLACE AND MINNESOTA ST.
ST. PAUL, MN 55101

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
ST. PAUL 55101

OFFICE OF THE COMMISSIONER

500 METRO SQUARE BUILDING
ST. PAUL, MN 55101

October 18, 1988

Allan W. Pratt
Vice President
Continental Western Life Insurance Company
Continental Plaza, 1-80 & Exit 121
Post Office Box 65770
Des Moines, IA 50265-0770

RE: Proposed Adoption of Rules Relating to Interest Rate Disclosure

Dear Mr. Pratt:

We acknowledge receipt of your comments regarding the above-referenced rule on August 25, 1988.

You are quite correct that most agents could not manually perform the calculations required by the disclosure forms. It is expected that these calculations will be provided by computer hook up with the home office.

In response to your second question, the Department has determined that you may identify the applicant on the form as well as the policy number. If your company desires to do so, you may provide additional information on a separate form in regard to performance after the first year. This rule was drafted with a good deal of input from the life industry. They argued that it would be too cumbersome to perform the calculations for each year shown on the illustration and the Department accepted that argument.

You have asked that the Department consider an alternative to this rule. The rule has been promulgated as an alternative to Minn. Stat. § 45.025. If you do not wish to comply with the rule, there is an alternative form of compliance in Minn. Stat. § 45.025.

Thank you for your comments.

Very truly yours,

MICHAEL A. HATCH
Commissioner of Commerce

By:

PATRICIA L. PETERSON
Staff Attorney
Registration Division

(612) 296-2284
PLP:da

AN EQUAL OPPORTUNITY EMPLOYER

Continental Western Life Ins. Co.
Continental Plaza, I-80 & Exit 121
P.O. Box 65770, West Des Moines, Iowa 50265-0770
(515) 224-1818

August 22, 1988

Michael A. Hatch
Commissioner of Commerce
State of Minnesota
500 Metro Square Bldg.
St. Paul, MN 55101

RE: Proposed Adoption of Rules Relating to
Interest Rate Disclosure

Dear Commissioner Hatch:

Our Company received the Proposed Rules Relative to Interest Rate Disclosure on August 15th. We certainly concur with the objective of sharing pertinent information with the consumer to help them make a valid determination in the purchase of a life insurance product. However, I would like to suggest an alternative to the proposed disclosure information.

Theoretically the recommendation to use a Universal Life Products Fact Sheet makes sense. The reality of the matter is that such required policy calculations to complete the Fact Sheet are actually quite complex. I seriously doubt that most agents would be able to calculate this information correctly.

First year policy calculations include policy expenses (policy fee, premium percentage charges for state taxes, and other first year policy loadings), cost of insurance at risk, additional riders, interest income, etc. Insurance companies calculate these policy cost elements on a monthly basis regardless of the schedule of premium funding.

Due to the interest sensitivity of the product, as the internal policy value accumulations increase there is a resultant decrease each month in the amount of insurance risk for the primary insured. This affects the cost of the insurance risk element which changes monthly. In my opinion, most agents would not be able to perform these monthly calculations in order to disclose the overall first year policy information required on the Fact Sheet.

For example, assume a prospective insured is 35, male, non-smoker, desires $100,000 of life insurance coverage, intends to pay an annual premium of $2,500, and to use an Option A level death benefit. The payment of the annual premium causes an immediate decrease in the insurance risk of the policy in the

Continental Western Life Ins. Co.
Continental Plaza, I-80 & Exit 121
P.O. Box 65770, West Des Moines, Iowa 50265-0770
(515) 224-1818

first month and will continue to accrue at interest each month less the monthly expenses of the policy. The agent would be required to calculate the policy performance month by month until arriving at the overall performance for the first policy year. The agent would then be able to fill in the blanks of Section III for the first year calculations of the policy. I suggest that most individuals, be they an agent or not, would have difficulty performing these calculations.

Second, does the proposed Fact Sheet disclose the proper information? The advertised rate is not shown. There is no space to identify the sex of the applicant, age, or smoker/non-smoker status. I would anticipate that in the event of a consumer complaint to the Minnesota Department that the Fact Sheet would be requested from the consumer by the departmental investigator, and then sent to the respective company for verification of information. Without the aforementioned details any company would be unable to know the basis of the calculations made by the agent.

Third, is there enough information on the Fact Sheet for the consumer to make a decision? Since the information disclosed is only for one policy year, the consumer is not really placed in a position to make a valid determination of the product. Other factors are important as well, and the performance of various Universal Life products does differ in subsequent years. Therefore, it is my suggestion that a standardized, computer prepared illustration descriptive of the Universal Life product be required either at the point of solicitation when the application is solicited or at the time the policy is delivered. (Many states require a Statement of Policy Cost and Benefit Information be delivered with the policy.)

As an example, please refer to the enclosed computer illustration. This illustration was based on the assumptions previously mentioned. (i.e. male 35, non-smoker, level death benefit, annual $2,500 premium, $100,000 amount of insurance, etc.) The projected values based on current interest rates and current costs of mortality are used in the calculation of Projected Values. Likewise, and displayed in an equally prominent manner, are the guaranteed contractual values of the policy based on the same assumptions. (It is important that guarantees are based on the same assumptions and not some different premium funding schedule as some companies do.) Since this illustration was produced as a result of computer software designed by the Company, then the Company must be held responsible for the accuracy and disclosure of information.

The consumer can identify year by year the value of the policy if they keep it for the future (Accumulated Value) and similarly, what the value would be returned the consumer if they

Continental Western Life Ins. Co.
Continental Plaza, I-80 & Exit 121
P.O. Box 65770, West Des Moines, Iowa 50265-0770
(515) 224-1818

discontinued the policy at the end of any particular year (Loan/Surrender Value). Due to the interest sensitivity of the product, accumulated policy values, be they projected or guaranteed, would be different if the premium funding was paid other than on an annual basis. Also, the agent may encounter a situation where an additional lump sum of premium is contributed initially in addition to an ongoing annual contribution. In other words, the flexibility of the product requires an accountability in calculations that the agent cannot do by hand for the Fact Sheet, but would be more capably handled by the Company.

With respect to the Other Than Universal Life Products Fact Sheet the agent would be much better able to complete the information due to the fixed contractual provisions, premiums, etc. Universal Life is much, much different.

We urge you to give consideration to an alternative to the Proposed Rule. Many, many agents are not prepared nor have access to information to perform actuarial calculations by hand for the consumer. I believe that this responsibility should be handled by each respective company to assure that their products are properly marketed and that the consumers interest is satisfied.

It seems a trend is being adopted by state insurance departments to encourage insurance companies to comply with specific advertising regulations. These regulations should be very specific in their design to force companies to standardize computer illustrations, definitions and terms used for column headings, disclosure of information on calculations, etc. Certainly, no company should be able to offer an illustration to a consumer based on an interest rate higher than what the company is currently crediting. Also, contractual guarantees should be as prominently displayed as projected (non-guaranteed) policy values. All in all, the responsibility for the disclosure of specific policy performance information should be kept at the Company level.

Please let me know if any additional information is needed. I would be happy to meet with anyone at the Commerce Department if there are any questions.

Sincerely,

Allan W. Pratt
Vice President

AWP/svr

A Secure Family is a Nation's Strength

CONTINENTAL WESTERN LIFE INSURANCE COMPANY - WEST DES MOINES, IOWA

INDEPENDENCE 2 - A UNIVERSAL LIFE POLICY

FOR: SAMPLE

SPECIFIED AMOUNT: 100,000

AGE:35M STATE: MN NONSMOKER OPTION: A

PLANNED OUTLAY: 2,500.00 ANNUALLY TRANSFER AMOUNT:

---------- OTHER BENEFITS ----------

PRIMARY INSURED- ANNUAL DISABILITY AMOUNT: ADB:
ADD'L INSURED- AGE: YRS: AMOUNT: ADB:
ADD'L INSURED- AGE: YRS: AMOUNT: ADB:
ADD'L INSURED- AGE: YRS: AMOUNT: ADB:
CHILDREN'S BENEFIT:

---------- INTEREST RATES ----------

POLICY VALUES: CURRENT 8.75% YRS 1-10, 9.25% THEREAFTER, GUARANTEED 5.50%
PROJECTED INITIAL RATE IS 8.75%
POLICY LOANS : GUARANTEED NET 1% OVER CURRENT RATE

				PROJECTED VALUES			GUARANTEED VALUES		
AGE	END OF YR	O P T	YEARLY ACTIVITY	ACCUMULATED VALUE	LOAN/ SURR VALUE	ESTATE VALUE	ACCUMULATED VALUE	LOAN/ SURR VALUE	ESTATE VALUE
35	1	A	2500	2498	1718	100000	2358	1578	100000
36	2	A	2500	5207	3647	100000	4841	3281	100000
37	3	A	2500	8144	6114	100000	7454	5424	100000
38	4	A	2500	11332	9302	100000	10205	8175	100000
39	5	A	2500	14794	12764	100000	13103	11073	100000
40	6	A	2500	18554	16727	100000	16146	14319	100000
41	7	A	2500	22631	21007	100000	19354	17730	100000
42	8	A	2500	27064	25643	100000	22729	21308	100000
43	9	A	2500	31877	30659	100000	26281	25063	100000
44	10	A	2500	37108	36093	100000	30022	29007	100000
45	11	A	2500	42994	42182	100000	33966	33154	100000
46	12	A	2500	49421	48812	103291	38125	37516	100000
47	13	A	2500	56422	56016	114538	42508	42102	100000
48	14	A	2500	64044	63841	126167	47138	46935	100000
49	15	A	2500	72328	72328	138147	52025	52025	100000
50	16	A	2500	81342	81342	150482	57168	57168	105761
51	17	A	2500	91157	91157	162259	62570	62570	111375
52	18	A	2500	101841	101841	174148	68249	68249	116706
53	19	A	2500	113479	113479	186106	74218	74218	121718
54	20	A	2500	126149	126149	198053	80495	80495	126377
60	26	A		229884	229884	298849	125522	125522	163179
62	28	A		278103	278103	350410	143756	143756	181132
65	31	A		367721	367721	441265	174626	174626	209551

NOTE - FOR YEARLY ACTIVITY COLUMN (L) LOAN, (W) WITHDRAWAL, (R) LOAN REPAY
THIS IS AN ILLUSTRATION ONLY AND NOT A CONTRACT.

RLS: 02.9

CONTINENTAL WESTERN LIFE INSURANCE COMPANY - WEST DES MOINES, IOWA

INDEPENDENCE 2 - A UNIVERSAL LIFE POLICY

FOR: SAMPLE SPECIFIED AMOUNT: 100,000

AGE:35M STATE: MN NONSMOKER OPTION: A

PLANNED OUTLAY: 2,500.00 ANNUALLY TRANSFER AMOUNT:

				------- PROJECTED VALUES ------			--- GUARANTEED VALUES ----		
AGE	END OF YR	OPT	YEARLY ACTIVITY	ACCUMULATED VALUE	LOAN/ SURR VALUE	ESTATE VALUE	ACCUMULATED VALUE	LOAN/ SURR VALUE	ESTATE VALUE
55	21	A	2500	139963	139963	209944	87098	87098	130647
56	22	A	2500	155006	155006	226308	94033	94033	137298
57	23	A	2500	171378	171378	243357	101320	101320	143875
58	24	A	2500	189225	189225	261131	108982	108982	150395
59	25	A	2500	208676	208676	279626	117042	117042	156836
60	26	A	2500	229884	229884	298849	125522	125522	163179
61	27	A	2500	252970	252970	323802	134422	134422	172060
62	28	A	2500	278103	278103	350410	143756	143756	181132
63	29	A	2500	305467	305467	378780	153549	153549	190400
64	30	A	2500	335267	335267	409026	163829	163829	199871
65	31	A	2500	367721	367721	441265	174626	174626	209551

GUARANTEED VALUES: BASED ON THE GUARANTEED INTEREST RATE OF 5.500% AND THE GUARANTEED COST OF INSURANCE.

PROJECTED VALUES: BASED ON THE CURRENT COST OF INSURANCE, WHICH IS SUBJECT TO CHANGE AND THE INTEREST RATE OF:

8.750% THRU YEAR 10 9.250% THRU YEAR 31

THE COMPANY IS CURRENTLY CREDITING INTEREST AT 8.750% YRS 1-10, 9.250% THEREAFTER.

THIS IS AN ILLUSTRATION ONLY AND NOT A CONTRACT.

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
ST. PAUL 55101

500 METRO SQUARE BUILDING
ST. PAUL, MN 55101

OFFICE OF THE COMMISSIONER

October 18, 1988

James O. Shuler
Central States Health & Life Co. of Omaha
Post Office Box 34350
Omaha, NE 68134-0350

RE: Interest Rate Disclosure

Dear Mr. Shuler:

We acknowledge receipt of your comments regarding the above-referenced proposed rule on September 13, 1988.

The proposed rule was drafted with considerable input from the insurance industry. In response to industry concerns about "bundled products", a second disclosure form was developed. The universal life form was clearly inapplicable to the bundled product and consequently, it was necessary to prepare a form for these products which would provide "interest rate" disclosure.

The Department recognizes that there are a variety of life products in the market and that new ones are constantly being developed. It is impossible to prepare a form which deals with every variation. However, the Department's position is that the two forms contained in the proposed rule do achieve the purposes of the interest rate disclosure law found at Minn. Stat. § 45.025 and pursuant to which this rule is promulgated. If a company feels it cannot use either form, it is free to comply with Minn. Stat. § 45.025.

Because it would be cumbersome to provide the interest rate disclosure for each year of the policy, the forms provide disclosure only for the first year. All disclosures on the form relate to year one. Therefore, it would be inconsistent and confusing to include language referring to years after year one in the instance you have suggested.

Thank you for your comments.

Very truly yours,

MICHAEL A. HATCH
Commissioner of Commerce

By:

PATRICIA L. PETERSON
Staff Attorney
Registration Division

(612) 296-2284
PLP:da

AN EQUAL OPPORTUNITY EMPLOYER

JAMES O. SHULER
Vice President &
Assistant General Counsel



Central States Health & Life Co. of Omaha

September 12, 1988

Ms. Patricia Peterson
Staff Attorney
Department of Commerce
500 Metro Square Building
St. Paul, Minnsota 55101

10.00
1 58

Department of Commerce

RE: Proposed Rule Relating to Interest Rate Disclosure

Dear Ms. Peterson:

We support your efforts to ensure that the consumer is provided with full disclosure of pertinent information when considering the purchase of life insurance. However, we are concerned that your definition for universal life insurance also includes what may be called an excess interest life insurance policy.

To classify both coverages as universal life insurance on the same policy fact sheet would result in an inaccurate comparison for the consumer.

You state that "universal life insurance policy" means any individual life insurance policy under the provision of which separately identified interest credits (other than in connection with individual accumulations, premium deposit funds, or other supplementary accounts) and mortality and expense charges are made to the policy." The excess interest policy would appear to be within this definition. The excess interest policy is basically similar to the traditional whole life policy with a minimum guaranteed rate of interest on the cash value. However, it also provides for an additional nonguaranteed higher rate of interest based upon the rate of interest the insurer earns on its investments. This allows the insured the opportunity to earn a market rate of interest on the cash value with a guarantee of a minimum rate.

The misrepresentation of the excess interest policy as a universal life insurance policy occurs primarily by limiting the information to the premiums and the projected death benefit at the end of the first year. The universal life policy may not have a set premium. Instead, the consumer will select a target premium from which the consumer may vary at will. To project a definite amount of insurance

CSO
Central States Health & Life Co. of Omaha

Patricia Peterson
Minnesota Department of Commerce

September 12, 1988

in the future with a universal life insurance policy, the consumer must continue to pay the target premium, and the cash value must earn a set rate of interest which is not guaranteed. If the consumer desires to maintain a set level of insurance with the universal life insurance policy, the consumer may be required to pay more premiums when the interest rate declines.

Since the excess interest policy is similar to the traditional whole life insurance policy, the consumer pays a preselected premium and is guaranteed a set amount of insurance on a specific date in the future. If the interest rates fall, the consumer need not increase the premium to maintain the set amount of insurance for a specific future date. Because the excess interest policy guarantees a set amount of insurance on a future date and the universal life insurance policy does not, the premiums for the excess interest policy may be higher. Therefore, to report the excess interest policy and the universal life insurance policy on the same policy fact sheet does not provide the consumer with accurate information.

We request that a separate policy fact sheet be created for the excess interest policies. A generally accepted actuarial and LIMRA definition for excess interest policies is, "a life insurance policy with traditional whole life features of a specified premium rate that must be paid to keep the policy in force using the prospective method of computing cash values which includes the table of non-forfeiture values and the universal life fund mechanics of determining an accumulation fund value."

We have enclosed a proposed policy fact sheet for an excess interest policy. The proposed excess interest policy fact sheet is basically the universal life policy fact sheet with addition of the following:

Under II. Insurer and Basic Policy Information,
we suggest adding language to E and adding F:

E. Is the advertised interest rate guaranteed?
If yes, for how long? _____

F. Is the stated annual premium guaranteed to carry the policy to maturity if paid every year? _____yes _____no

96th and Western • Omaha, Nebraska 68114 • Phone: (402) 397-1111
Mailing Address: P.O. Box 34350 • Omaha, Nebraska 68134-0350
A CENTRAL STATES OF OMAHA COMPANY

CSO
Central States Health & Life Co. of Omaha

Patricia Peterson
Minnesota Department of Commerce

September 12, 1988

We respectfully request your consideration of our comments. We would be happy to discuss further if you should desire.

Thank you.

Sincerely,

James O. Shuler

JOS/bb

Enclosure

96th and Western • Omaha, Nebraska 68114 • Phone: (402) 397-1111
Mailing Address: P.O. Box 34350 • Omaha, Nebraska 68134-0350
A CENTRAL STATES OF OMAHA COMPANY

LIFE INSURANCE POLICY FACT SHEET
EXCESS INTEREST WHOLE LIFE

I. GENERAL INFORMATION

This is a life insurance policy fact sheet. Minnesota law requires that this fact sheet be provided to you before you make any payment on a life insurance policy.

II. INSURER AND BASIC POLICY INFORMATION

A. Name and Address of Insurer:
Central States Health & Life Co. of Omaha
P.O. Box 34350
Omaha, Nebraska 68134-0350

B. Single Premium ____ Annual Premium ____ Other ____ (check one)

C. Amount of death benefit at end of first year $ ____

D. Will the death benefit vary with the interest rate credited? ____ Yes ____ No

E. Is the advertised interest rate guaranteed? ____ Yes ____ No
If yes, for how long?

F. Is the stated annual premium guaranteed to carry the policy to maturity if paid every year? ____ Yes ____ No

III. CALCULATION OF EARNINGS ON PREMIUM

A. Amount of first year premium $ ____

B. Amount of premium allocated to death benefit and expenses $ ____

C. Balance upon which interest will be calculated $ ____

D. Amount of interest income at advertised rate $ ____

E. Policy value at end of first year $ ____*

*NOTE: This value may not be available without surrender charges which are disclosed below.

IV. SURRENDER CHARGE

This policy should be purchased only for long-term planning. Surrender charges may be substantial and will be imposed as specified below, assuming that the advertised rate of interest and illustrated premiums are paid.

A. Surrender charge assessed if surrendered at the end of the first year $ ____

B. The amount you will receive if you surrender at the end of the first year (III-E minus IV-A) $ ____

C. Number of years for which a surrender charge is imposed ____

Signature of Agent
Date: ____/____/____

Signature of Applicant
Date: ____/____/____

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
ST. PAUL 55101

OFFICE OF THE COMMISSIONER

500 METRO SQUARE BUILDING
ST. PAUL, MN 55101

October 17, 1988

Curt Anderson
Vice President
Manager-Annuities and Insurance
Miller & Schroeder Financial, Inc.
Northwestern Financial Center
7900 Xerxes Avenue South
Post Office Box 789
Minneapolis, MN 55440

RE: Proposed adoption of rules relating to interest rate disclosure
2790.1750 Interest Rate Disclosure: Disclosure Sheet

Dear Mr. Anderson:

We acknowledge receipt of your comments regarding the above rule on August 26, 1988.

While we believe that in general such disclosure as you suggested in your letter may be wise, it is not disclosure which is essential to achieving the purposes of the interest rate disclosure law. The disclosure you have suggested relates to the life insurance aspect of the product rather than the investment aspect.

Thank you for your comments.

Very truly yours,

MICHAEL A. HATCH
Commissioner of Commerce

By:

PATRICIA L. PETERSON
Staff Attorney
Registration Division

(612) 296-2284
PLP:da

Toll Free Minnesota (800) 862-6002
Toll Free Other States (800) 328-6122

Miller & Schroeder Financial, Inc.

Northwestern Financial Center • 7900 Xerxes Avenue South • P.O. Box 789 • Minneapolis, Minnesota 55440 (612) 831-1500

USF&G Member of the USF&G Financial Services Group

August 24, 1988

Ms. Patricia Peterson
Staff Attorney
Department of Commerce
500 Metro Square Building
St. Paul, MN 55101

STATE OF MINNESOTA
AUG 26 1988
DEPARTMENT OF COMMERCE

RE: Proposed adoption of rules relating to interest rate disclosure.
2790.1750 Interest Rate Disclosure: Disclosure Sheet

Dear Ms. Peterson:

I am writing to propose a minor addition to the Life Insurance Policy Fact Sheet - Universal Life Products.

I would suggest that two additional items be inserted following Item I. D. "Will the death benefit vary with the interest rate?"

The additional items would read as follows:

Is there a minimum guaranteed death benefit? _____yes _____no

If yes, what is the minimum guaranteed death benefit? $_____

The additional disclosure provided by these additional items would be pertinent to some single premium whole life policies where the death benefit may increase as the result of varying interest rates, but cannot decrease below guaranteed minimums. The absence of such additional disclosure may lead applicants for these policies to wrongly imply that thedeath benefit may decrease as the result of varying interest rates.

You may call me if you have any questions.

Thank you for your consideration.

Yours very truly,

Curt Anderson

Curt Anderson
Vice President
Manager - Annuities and Insurance
(612)893-8091

STATE OF MINNESOTA
AUG 26 1988
DEPARTMENT OF COMMERCE

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
ST. PAUL 55101

500 METRO SQUARE BUILDING
ST. PAUL, MN 55101

OFFICE OF THE COMMISSIONER

October 17, 1988

Daniel Crain
Assistant Secretary and Director
of Regulatory Compliance
First Capital Life
11011 North Torrey Pines Road
P. O. Box 2700
La Jolla, CA 92038-2700

RE: Proposed Rule 2790.1750
Interest Rate Disclosure Sheet

Dear Mr. Crain:

We acknowledge receipt of your comments regarding the above-referenced proposed rule on September 13, 1988.

The department responds as follows to your comments:

1) Riders and benefits are included if they contain an investment component and you have advertised a rate of return.

2) If there is an annual premium payment, whether paid by the insured or from the policy's cash value, II B should be answered "Annual."

3) The form is referring to the premium being illustrated.

4) If you advertise both an advertised rate and a guaranteed rate, forms must be completed for each rate.

If you read Minn. Stat. § 45.025, pursuant to which this rule is being promulgated, you will see that the law only relates to situations where an interest rate is being advertised. Therefore, it should be quite clear when the premiums for those riders or benefits should be included.

Thank you for your comments.

Very truly yours,

MICHAEL A. HATCH
Commissioner of Commerce

By:

PATRICIA L. PETERSON
Staff Attorney
Registration Division

(612) 296-2284
PLP:da

AN EQUAL OPPORTUNITY EMPLOYER

FIRSTCAPITAL LIFE

Ms. Patricia Peterson
Staff Attorney
Department of Commerce
500 Metro Square Building
St. Paul MN 55101

11:30 am
SEP 13 1988
Department of Commerce

September 12, 1988

RE: Proposed Rule 2790.1750
Interest Rate Disclosure Sheet

Dear Ms. Peterson:

Pursuant to the Department's Notice of Intent to Adopt Rules Without a Public Hearing published in the August 15, 1988 edition of the State Register, we are submitting the following comments and proposed changes to proposed rule 2790-1750, Interest Rate Disclosure Sheet.

COMMENT

The proposed rule lacks sufficient instructions for agents and companies to be able to prepare the disclosure form.

Our general comment is based on the following specific concerns which apply to the universal life product section only:

1. The information on the disclosure form does not make it clear that it excludes all riders and supplemental benefits which might be attached to a particular policy.

2. In the case of flexible premium universal life for which premiums may be paid annually but may also be skipped (and the policy will remain active provided there is sufficient policy value to cover the cost of insurance deductions) it is not clear whether item IIB should be answered "annual" or "other".

3. For flexible premium products, item IIC and items IIIA - E do not make clear what is meant by "first year premium". Does the Department intend the answers to be based on the minimum premium or the planned premium (i.e. the premium as illustrated)?

4. Item IIIE does not make clear whether the policy values are to be based on the "advertised" rate or the guaranteed rate.

PROPOSED CHANGE

In order to clarify what appears to us to be unnecessary vagueness in the regulation, we suggest that section I, General Information, be redone with words to the effect:

First Capital Life Insurance Company
11011 North Torrey Pines Road • P.O. Box 2700 • La Jolla, CA 92038-2700 • (619) 452-9060 • Fax (619) 452-0039

FIRST CAPITAL LIFE

I. GENERAL INFORMATION

This is a life insurance policy fact sheet. Minnesota law requires that this fact sheet be provided to you before you make any payment on a life insurance policy. This policy should be purchased only for long-term planning. The values shown below assume that the advertised rate of interest and illustrated premiums are paid. The values do not account for the cost or benefits of any attached riders or supplemental benefits. If any such riders or supplemental benefits are illustrated, the premiums used to calculate the values do not include the rider or benefit charges. Surrender charges may be substantial and will be imposed as specified in Section IV.

Since this wording would preface all values, it could be deleted from Section IV.

In order to clarify the point raised in #2 above, Section II, B, might possibly reworded as follows:

B. Single Premium _____ Annual Premium _____
Other (including flexible premium) _____ (check one)

With these changes, the proposed rule more accurately serves the purpose for which it is intended, that is, full disclosure to the proposed insured of the costs of the policy under consideration.

I appreciate this opportunity to put forth my comments and suggestions for change prior to the Department's implementation of this rule. If you have any questions concerning my comments, I would be pleased to discuss them with you at any time.

Sincerely,

Daniel Crain
Assistant Secretary and
Director of Regulatory Compliance

cc: Robert J. Demichelis,
Associate General Counsel
American Council of Life Insurance

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
ST. PAUL 55101

OFFICE OF THE COMMISSIONER

500 METRO SQUARE BUILDING
ST. PAUL, MN 55101

October 17, 1988

Jean M. Crabb
Assistant Vice-President
Government & Industry Relations
Metropolitan Life Insurance Company
One Madison Avenue
New York, NY 10010-3690

RE: Proposed Rule 2790.1750-1751 Interest Rate Disclosure

Dear Ms. Crabb:

We acknowledge receipt of your comments regarding the above proposed rule on September 9, 1988.

I am enclosing a copy of the Commissioner's most recent Order. As of October 15, 1988, companies will be required to either comply with the language of Minn. Stat.§ 45.025 or with the proposed rule when using non-comparative illustrations.

The rule may be changed only in non-substantial ways at this stage in the rule making process. Therefore, it is the Department's position, that it should not be unduly burdensome for companies to comply with the proposed rule and to make minor changes when the rule becomes effective.

Thank you for your comments.

Very truly yours,

MICHAEL A. HATCH
Commissioner of Commerce

By:

PATRICIA L. PETERSON
Staff Attorney
Registration Division

(612) 296-2284
PLP:da

Metropolitan Life Insurance Company
One Madison Avenue, New York, NY 10010-3690

Jean M. Crabb
Assistant Vice-President

Metropolitan Life
AND AFFILIATED COMPANIES

STATE OF MINNESOTA

DEPARTMENT OF COMMERCE

Patricia Peterson, Esq.
Staff Attorney
Department of Commerce
500 Metro Square Building
St. Paul, MN 55101

Re: Proposed Rule 2790.1750-1751 Interest Rate Disclosure

Dear Ms. Peterson:

With regard to the Proposed Rule 2790.1750, Metropolitan respectfully requests that sufficient time be given after the 30-day comment period to allow our Companies to prepare the electronic programming necessary to produce the data required on the Policy Fact Sheets.

While we are able to do some of the preparatory work, it is not possible for us to finalize the programs until the Rules themselves are officially promulgated and it is clear that there will be no further modification of the data required in the fact sheets.

Since we would prefer that our agents not be asked to produce the data required on the fact sheet manually, it is our recommendation that the Rules be made effective as to the Fact Sheets on January 1, 1989.

Thank you for giving us the opportunity to comment on the Proposed Rules.

Sincerely,

Jean M. Crabb
Assistant Vice-President
Government & Industry Relations

September 6, 1988

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
ST. PAUL 55101

OFFICE OF THE COMMISSIONER

500 METRO SQUARE BUILDING
ST. PAUL, MN 55101

October 17, 1988

Thomas K. Gross
Vice President and Actuary
Lafayette Life Insurance Company
1905 Teal Road
Post Office Box 7007
Lafayette, IN 47903

RE: Regulation 2790.1750
Interest Rate Disclosure

Dear Mr. Gross:

We acknowledge receipt of your comments regarding the above-referenced proposed rule on September 6, 1988.

You stated in your letter that the form should not be required until the policy is delivered. However, the rule is promulgated pursuant to Minnesota's Interest Rate Disclosure Law. The purpose of that law is to provide disclosure of real rates of return on investment products when advertising an interest rate. Delivery of the form with the policy defeats the purpose of the disclosure law.

In regard to further deferrals of the rule, the Commissioner has stated that as of October 15, 1988, companies selling life products must either comply with Minn. Stat. § 45.025 or rely on the proposed rule.

Item II D does apply to the first year death benefit. Further, I believe that the parenthetical in III D will be removed. This will make it clear that in cases where there is a surrender charge, that amount must be deducted form III D.

The group life and health insurance exemptions you referred to are based on a sophisticated investor concept. The Department

has determined that where an employee benefit plan has assets of $1,000,000, the applicant does not need the same protections as the ordinary person. Individual health insurance is not exempted. However, an individual policy would not normally have an investment component and therefore Minn. Stat. § 45.025 and the rule being promulgated pursuant to that statute would be inapplicable.

Thank you for your comments.

Very truly yours,

MICHAEL A. HATCH
Commissioner of Commerce

By: Patricia L. Peterson

PATRICIA L. PETERSON
Staff Attorney
Registration Division

(612) 296-2284
PLP:da

The Lafayette Life Insurance Company "TRADITION OF EXCELLENCE"

1905 Teal Road - P.O. Box 7007
Lafayette, Indiana 47903
(317) 477-7411

STATE OF MINNESOTA
SEP 06 1988
DEPARTMENT OF COMMERCE

September 2, 1988

Ms. Patricia Pearson
Staff Attorney
Department of Commerce
500 Metro Square Building
St. Paul, MN 55101

re: Regulation 2790.1750
Interest Rate Disclosure

Dear Ms. Pearson:

The Lafayette Life would like to take this opportunity to express our concerns about the proposed Interest Rate Disclosure Form. Requiring the form to be presented prior to collection of premium could prevent the client from getting conditional receipt cover. The Agent is providing more than just an investment to the client. If the proposed Insured should die during the period of time it takes the Agent to generate the report, the beneficiary could be denied very valuable coverage. Why not require the form to be given at time of policy delivery? Doesn't the Free Look provision should provide ample protection?

For Universal Life policies, the Agent cannot calculate numbers himself. We must provide diskettes which will take us until the end of 1988 to program. Therefore, we need an extension from the September 15th deadline.

Should item II-D of the Universal Life form say, "Will the first year death benefit vary...?" It seems that this is the intent, but if our interpretation is incorrect, we need to know how to instruct our Agents to complete the form. Because even a policy which starts out on a level basis will eventually have an increasing death benefit to avoid losing its classification as a life insurance policy for Federal Income Tax purposes.

Because most first year dividends are contingent, they would not be included in any first year surrender value (item III-D) of non-universal life form). This could be corrected by removing the parenthetical instruction, " (III-B plus III-C)."

September 2, 1988

The exemptions are confusing. Why are group life and health insurance exempted? Is individual health insurance exempted? If not, how does one answer the questions, and which form should we use? e.g. "death benefit in first year"

Please feel free to call me collect if you have any questions about this letter.

Sincerely,

T. K. Gross

Thomas K. Gross
Vice President and Actuary

CC:
Wallis

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
ST. PAUL 55101

OFFICE OF THE COMMISSIONER

500 METRO SQUARE BUILDING
ST. PAUL, MN 55101

October 6, 1988

Louise Bouta
4003 Pillsbury Avenue
Minneapolis, MN 55409

Dear Ms. Bouta:

We acknowledge receipt of your comments and request for a hearing regarding Proposed Rule 2790.1750.

The Department did not receive twenty-five requests for a hearing and therefore, no public hearing will be held.

Thank you for your interest in this matter.

Very truly yours,

MICHAEL A. HATCH
Commissioner of Commerce

By:

PATRICIA L. PETERSON
Staff Attorney
Registration Division

(612) 296-2284
PLP:da

State of Minnesota

State of Minnesota

AUG 31 1988

Department of Commerce

State of Minnesota

AUG 31 1988

Department of Commerce

August 28, 1988
4003 Pillsbury Avenue
Minneapolis, Minnesota 55409

Patricia Peterson, Staff Attorney
Department of Commerce
500 Metro Square Building
St. Paul, MN 55101

Dear Ms. Peterson:

This is my comment on the proposed form for reporting interest rate charges on "universal life" policies.

I also would like to request a hearing on the proposed disclosure form.

I commend Commerce Commissioner Michael Hatch and Attorney General Hubert Humphrey for their good intentions in requesting passage of the law requiring that advertising of interest-bearing investments correctly describe their annual yields after all charges and fees are deducted. The law was passed and I do not think they should have backed down as was reported in the Star Tribune on August 22, 1988. The form as it is, by not reporting the interest rates outright but making the customer compute them from the information given, is part of the effort by the insurance company to intentionally confuse the customer by making the whole subject of insurance much more complex than it needs to be.

Part of the effort to intentionally confuse the customer is indicated by a line in the newspaper article wherein the investment component of the insurance program is referred to as the "buyer's money". This is not "the buyer's money"; it is given by the buyer to the insurance company as indicated by the fact that 1) the buyer does not receive it if he collects the death benefit. 2) If he wants to borrow some of the money, he must notify the insurance company six months ahead, he must pay interest on it, and he must pay it back.

I think the above is part of the reason 87% of the people in the country retire poor. It is not for lack of saving, as reported in discussions about Social Security, but because they saved with the insurance company. This probably would not have happened if they had been given the full picture.

Sincerely,

Louise Bouta

Louise Bouta
Newly Licensed Sales Rep

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
ST. PAUL 55101

OFFICE OF THE COMMISSIONER

500 METRO SQUARE BUILDING
ST. PAUL, MN 55101

October 6, 1988

Larry Poppler
Senior Consultant
Stenberg-Gruetzmacher & Assoc., Inc.
2001 Killebrew Drive, Suite 333
Bloomington, MN 55425

Dear Mr. Poppler:

Your September 7, 1988 letter regarding the proposed Disclosure Sheet has been referred to me for response.

The information for Part III, B, C, and D will be provided by the company issuing the policy. Most companies are modifying their computer systems to provide these figures to their agents. The fact that the applicant is paying a large single premium should not alter your calculations. It would be necessary to note in Part II B that the premium is a single one.

I suggest that you contact your companies to determine if they have prepared the disclosure sheet.

Thank you for contacting the Department. If you have further concerns, please write to us again.

Very truly yours,

MICHAEL A. HATCH
Commissioner of Commerce

By:

PATRICIA L. PETERSON
Staff Attorney
Registration Division

(612) 296-2284
PLP:da

STENBERG-GRUETZMACHER
& ASSOC., INC.
2001 Killebrew Drive, Suite 333
BLOOMINGTON, MN 55425 (612) 854-1237

September 7, 1988

Mike Letourneau
Department of Commerce
Enforcement Division
500 Metro Square Building
St. Paul, MN 55101

Dear Mr. Letourneau:

Thank you for your time over the phone. Attached is a Disclosure Sheet which is to be used soon.

The issue I have states "Minnesota law requires that this fact sheet be provided to you before you make any payment on a Life Insurance Policy." But the information in Part III, B, C, and D could only be filled in when a policy is in hand. How is this to be handled? Also, if a large single premium were put in the first year, how would one calculate B, C, and D in Part III? On the front side of the Disclosure Sheet, most of the information could be off the illustration given to the client, except Part III B, C, and D.

Thank you for looking into this.

Respectfully,

Larry Poppler
Senior Consultant

LP/dc

Enclosure

Rules as Proposed (all new m al)

2790.1750 INTEREST RATE DISCLOSURE; DISCLOSURE SHEET.

Subpart 1. **Scope.** This part applies to life insurance policy illustrations based upon a prospective purchaser's age and sex that do not provide a comparison with another policy. For purposes of this part, "applicant" includes a person who applies to purchase or who purchases a life insurance policy.

Subp. 2. **Waiver; disclosure sheet.** The requirements of *Minnesota Statutes*, section 45.025, subdivision 2, are waived with respect to those life insurance policy illustrations described in subpart 1 if, before the payment of any portion of the purchase price for the policy, the applicant receives a disclosure sheet in the form prescribed by the commissioner. The disclosure sheet must be signed and dated by the applicant and the insurance agent offering or advertising the policy, and a copy of the disclosure sheet must be left with the applicant.

Subp. 3. **Contents of disclosure sheet for universal life insurance policies.** "Universal life insurance policy" means any individual life insurance policy under the provisions of which separately identified interest credits (other than in connection with dividend accumulations, premium deposit funds, or other supplementary accounts) and mortality and expense charges are made to the policy. A universal life insurance policy may provide for other credits and charges, such as charges for the cost of benefits provided by rider. The disclosure sheet must contain the following information. No additional or alternative information may be included on the disclosure sheet, for purposes of this part, without the approval of the commissioner.

LIFE INSURANCE POLICY FACT SHEET
UNIVERSAL LIFE PRODUCTS

I. GENERAL INFORMATION

This is a life insurance policy fact sheet. Minnesota law requires that this fact sheet be provided to you before you make any payment on a life insurance policy.

II. INSURER AND BASIC POLICY INFORMATION

A. Name and Address of Insurer:

_____

_____

_____

B. Single Premium ____ Annual Premium ____ Other ____ (check one) $ _____

C. Amount of death benefit at end of first year

D. Will the death benefit vary with the interest rate credited? ____ Yes ____ No

E. Is the advertised interest rate guaranteed? ____ Yes ____ No

If yes, for how long?

III. CALCULATION OF EARNINGS ON PREMIUM

A. Amount of first year premium		$ _____
B. Amount of premium allocated to death benefit and expenses	$ _____	
C. Balance upon which interest will be calculated	$ _____	
D. Amount of interest income at advertised rate		$ _____*
E. Policy value at end of first year		

*NOTE: This value may not be available without surrender charges which are disclosed below.

IV. SURRENDER CHARGE

This policy should be purchased only for long-term planning. Surrender charges may be substantial and will be imposed as specified below, assuming that the advertised rate of interest and illustrated premiums are paid.

A. Surrender charge assessed if surrendered at the end of the first year $ _____

B. The amount you will receive if you surrender at the end of the first year (III-E minus IV-A) $ _____

C. Number of years for which a surrender charge is imposed _____

_____ _____

Signature of Agent
Date: ____/____/____

Signature of Applicant
Date: ____/____/____

Subp. 4. **Contents of disclosure sheet for other than universal life products.** The disclosure sheet must contain the following information. No additional or alternative information may be included on the disclosure sheet, for purposes of this part, without the approval of the commissioner.