Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5401 (as reported without amendment)
Sponsor: Representative John Llewellyn
House Committee: Insurance
Senate Committee: Financial Services

CONTENT

The bill would amend the Insurance Code to delete a provision that requires a life insurance company to use the so-called unitary method for calculating reserves on certain policies or contracts issued before January 1, 1996. The bill also specifies, however, that an insurer would not be prohibited from using that method as long as it was not prohibited by the Insurance Commissioner.

The Code requires, for any policy or contract issued before January 1, 1996, for which gross premiums vary by duration, including renewable term plans where renewal premiums beyond the current term period are guaranteed in the policy, that the valuation net premiums be calculated as a uniform percentage of all the respective gross premiums or premiums guaranteed in the policy or contract. The bill would delete that requirement but also specifies that the bill would not prohibit an insurer from calculating valuation net premiums in that manner, as long as the practice was not specifically prohibited by the Insurance Commissioner.

MCL 500.834 Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 12-11-95 Fiscal Analyst: K. Lindquist