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House Bill 5192 (as passed by the House)  
Sponsor: Representative Andrea LaFontaine  
House Committee: Insurance  
Senate Committee: Insurance

Date Completed: 6-9-14

### **CONTENT**

**The bill would amend the Insurance Code to allow an insurer to substitute the 2001 CSO preferred class structure mortality table in place of the 2001 CSO smoker and nonsmoker mortality tables as the minimum valuation standard for policies issued after June 30, 2004, and before January 1, 2007, subject to certain conditions.**

The Code allows an insurer, for each calendar year of issue for a specified insurance plan, to substitute the 2001 CSO preferred class structure mortality table in place of the 2001 CSO smoker and nonsmoker mortality tables as the minimum valuation standard for policies issued on or after January 1, 2007.

Under the bill, an insurer also could make this substitution for policies issued after June 30, 2004, and before January 1, 2007, subject to the consent of the Director of the Department of Insurance and Financial Services. In determining consent, the Director could rely on whether consent of the use of the 2001 CSO preferred class structure mortality table was given to the insurer by the commissioner of the insurer's state of domicile. The use could not be permitted if the insurer, in any statutory financial statement for a coinsured policy or portion of a policy coinsured, reported either of the following:

- If the mode of payment of the reinsurance premium were less frequent than the mode of payment of the policy premium, a reserve credit that exceeded the gross reserve calculated before reinsurance by more than "Y" (the amount described below).
- If the mode of payment of the reinsurance premium were more frequent than the mode of payment of the policy premium, a reserve credit that was less than the gross reserve, calculated before insurance, by an amount that was less than "Z" (described below).

"Y" would be the amount of the gross reinsurance premium that provided coverage for the period from the next policy premium due date to the earlier of the end of the policy year and the next reinsurance premium due date, and would be refunded to the ceding entity upon the policy's termination. "Z" would be the amount of the gross reinsurance premium that the ceding entity would need to pay the assuming company to provide reinsurance coverage from the period of the next reinsurance premium due date to the next policy premium due date minus any liability established for the proportionate amount not remitted to the reinsurer. For these purposes, the reserve for the mean reserve method would be the mean reserve minus the deferred premium asset, and the reserve for the midterminal reserve method would include the unearned premium reserve. To satisfy the bill's requirements regarding a reserve credit, an insurer could estimate and adjust its accounting on an aggregate basis.

(The Code defines "2001 CSO preferred class structure mortality table" as mortality tables with separate rates of mortality for super preferred nonsmokers, preferred nonsmokers, residual standard nonsmokers, preferred smokers, and residual standard smoker splits of the 2001 CSO nonsmoker and smoker tables adopted by the National Association of Insurance Commissioners in 2006. "Smoker and nonsmoker mortality tables" means mortality tables with separate rates of mortality for smokers and nonsmokers.)

MCL 500.838a

Legislative Analyst: Julie Cassidy

**FISCAL IMPACT**

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

Fiscal Analyst: Glenn Steffens

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.