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House Bill 5932 (Substitute H-2 as reported without amendment)
Sponsor: Representative Peter Lund
House Committee: Insurance
Senate Committee: Insurance

CONTENT

The bill would amend the Insurance Code to do the following:

- Require the Director of the Department of Insurance and Financial Services annually to value the reserve liabilities of all outstanding life insurance contracts, annuity and pure endowment contracts, accident and health contracts, and deposit-type contracts issued on or after the effective date of the "valuation manual".
- Require every company with outstanding life insurance contracts, accident and health contracts, and deposit-type contracts annually to submit the opinion of an appointed actuary as to certain matters.
- Require the Director to promulgate regulations containing the minimum standards for the valuation of disability plans and contracts issued before the date of the valuation manual.
- Provide that for contracts issued after the operative date of the manual, the standard prescribed in it would be the minimum required standard of valuation.
- Establish minimum valuation standards the manual would have to include, and specify other provisions that would apply to it.
- Require a company that issued life insurance contracts, accident and health insurance contracts, or deposit-type contracts, to establish reserves using a principle-based valuation that met particular conditions for policies or contracts, as specified in the valuation manual.
- Establish certain requirements for a company that used principal-based valuation for one or more policies or contracts.
- Exempt a domestic company from the proposed requirements if it met certain conditions.
- Authorize the Director to require a company to change any assumption or method that he or she considered necessary to comply with the requirements of the manual or those proposed by the bill, and require the company to adjust the reserves accordingly.
- Provide for the confidentiality of certain information, and allow the Director to share information with agencies in other jurisdictions under certain circumstances.
- Require the valuation manual to provide the Commissioners Standard Ordinary Mortality Table for use in determining a minimum nonforfeiture standard that could be substituted for certain other tables.

The bill would define "valuation manual" as the manual of valuation instructions adopted by the National Association of Insurance Commissioners as described in the bill. The manual's operative date would depend, in part, on the enactment of the Standard Valuation Law or its equivalent by a certain number of jurisdictions.

MCL 500.102 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have a minor, but likely negative, fiscal impact on the Department of Insurance and Financial Services, and no fiscal impact on local units of government. The bill would introduce some new administrative costs related to the promulgation of rules. To the extent that, under current statute and rules, the reserve liabilities of accident and health contracts and deposit-type contracts are not reviewed, the bill would introduce some new administrative costs related to those valuations as would be required under the bill.

Date Completed: 12-17-14

Fiscal Analyst: Josh Sefton