

Legislative Analysis



ANNUITY MORTALITY TABLES

Phone: (517) 373-8080
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House Bill 5514 (reported as H-1)
Sponsor: Rep. Lana Theis
Committee: Insurance
Complete to 5-17-16

Analysis available at
<http://www.legislature.mi.gov>

BRIEF SUMMARY:

The bill would amend the Insurance Code to update the mortality tables used for determining the minimum standard of valuation for annuity and pure endowment contracts. The provisions are imported from model regulations of the National Association of Insurance Commissioners (NAIC).

The bill contains largely technical language citing updated mortality tables in statute and then authorizing the Director of the Department of Insurance and Financial Services (DIFS) to approve by promulgated rule any new mortality tables adopted by the NAIC in the future.

Generally speaking, these tables are used in part to determine the reserves insurance companies must maintain to support annuity contracts, with the aim of helping to assure insurance company solvency. They are updated periodically to reflect changes in the life expectancy of segments of the population.

[The NAIC provides the following regarding annuities: "An annuity is an insurance contract typically used in retirement planning and designed to protect an individual from outliving his or her assets. An individual, or annuitant, pays premiums into the annuity and the insurer promises to pay out money from the annuity to the annuitant or a beneficiary in a series of payments."]

FISCAL IMPACT:

The bill would not have a significant fiscal impact.

POSITIONS:

Among those indicating support for the bill are: The Department of Insurance and Financial Services (DIFS), John Hancock Life Insurance, the American Council of Life Insurers, the Life Insurance Association of Michigan, Farm Bureau Life Insurance, and Jackson National Life. (4-28-16 & 5-12-16)

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