THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.701 Definitions.

Sec. 701. As used in this chapter:

(a) "Annual claim cost" means the net annual cost per unit of benefit before the addition of expenses, including claim settlement expenses, and a margin for profit or contingencies.

(b) "Accrued claims" means that portion of claims payable under a health insurance policy or certificate and incurred on or prior to the valuation date that result in liability of the insurer for the payment of benefits for medical services rendered on or prior to the valuation date and for the payment of benefits for days of hospitalization and days of disability that have occurred on or prior to the valuation date that the insurer has not paid as of the valuation date but for which it is liable and will have to pay after the valuation date.

(c) "Date of disablement" means the earliest date the insured is considered as being disabled under the definition of disability in the health insurance policy or certificate based on a doctor's evaluation or other evidence.

(d) "Date of incurral" means the date a claim is determined to be a liability of the insurer.

(e) "Elimination period" means a specified number of days, weeks, or months starting at the beginning of each period of loss, during which benefits under a health insurance policy or certificate are not payable.

(f) "Gross premium" means the amount of premium charged by the insurer. Gross premium includes the net premium, based on claim-cost, for the risk together with any loading for expenses, profit, or contingencies.

(g) "Group insurance" means blanket insurance and franchise insurance and any other forms of group insurance.

(h) "Level premium" means a premium on a health insurance policy or certificate calculated to remain unchanged throughout either the lifetime of the policy or certificate or for some shorter projected period of years.

(i) "Long-term care insurance" means any insurance policy, certificate, or rider advertised, marketed, offered, or designed to provide coverage for not less than 12 consecutive months for each covered person on an expense incurred, indemnity, prepaid, or other basis, for 1 or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance, or personal care services, provided in a setting other than an acute care unit of a hospital. Long-term care insurance includes a policy, certificate, or rider that provides for payment of benefits based upon cognitive impairment or the loss of functional capacity. Long-term care insurance does not include an insurance policy or certificate offered primarily to provide basic medicare supplement coverage, basic hospital expense coverage, basic medical-surgical expense coverage, hospital confinement indemnity coverage, major medical expense coverage, disability income or related asset-protection coverage, accident only coverage, specified disease or specified accident coverage, or limited benefit health coverage.

(j) "Modal premium" means the premium paid on a health insurance policy or certificate based on a premium term that could be annual, semiannual, quarterly, monthly, or weekly.

(k) "Preliminary term reserve method" means the method under which the valuation net premium for each year falling within the preliminary term period is exactly sufficient to cover the expected incurred claims of that year, so that the terminal reserves will be zero at the end of the year. As of the end of the preliminary term period, a new constant valuation net premium or stream of changing valuation premiums becomes applicable such that the present value of all such premiums is equal to the present value of all claims expected to be incurred following the end of the preliminary term period.

(*l*) "Reserve" means all items of benefit liability, whether in the nature of incurred claim liability or in the nature of contract liability relating to future periods of coverage, and whether the liability is accrued or unaccrued. An insurer under its contracts promises benefits that result in either of the following:

(*i*) Claims that have been incurred, that is, for which the insurer has become obligated to make payment, on or prior to the valuation date. On these claims, payments expected to be made after the valuation date for accrued and unaccrued benefits are liabilities of the insurer which should be provided for by establishing claim reserves.

(*ii*) Claims that are expected to be incurred after the valuation date. Any present liability of the insurer for these future claims should be provided for by the establishment of contract reserves and unearned premium reserves.

(m) "Unearned premium reserve" means that portion of the premium on a health insurance policy or certificate paid or due to the insurer that is applicable to the period of coverage extending beyond the valuation date.

(n) "Valuation net modal premium" means the modal fraction of the valuation net annual premium that corresponds to the gross modal premium in effect on any contract to which contract reserves apply. For example, if the mode of payment in effect is quarterly, the valuation net modal premium is the quarterly equivalent of the valuation net annual premium.

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