

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

**500.717 Contract reserves; required for certain policies and certificates; exception; addition to claim and premium reserves; methods and procedures; date of incurral defined.**

Sec. 717. (1) Except as otherwise provided for in subsection (2), contract reserves are required for both of the following:

(a) All health insurance policies and certificates that use level premiums.

(b) All health insurance policies and certificates with respect to which, due to the gross premium pricing structure at issue, the value of the future benefits at any time exceeds the value of any appropriate future valuation net premiums at that time. The values specified in this subdivision shall be determined in the manner provided for in section 719.

(2) Health insurance policies and certificates not requiring a contract reserve include the following:

(a) Policies and certificates that cannot be continued after 1 year from issue.

(b) Policies and certificates already in force on the effective date of this chapter for which a contract reserve was not required under standards in effect before the effective date of this chapter.

(3) The contract reserve is in addition to claim reserves and premium reserves.

(4) The methods and procedures for contract reserves shall be consistent with those methods and procedures for claim reserves for any health insurance policy or certificate, or else appropriate adjustment shall be made when necessary to assure provision for the aggregate liability. The definition of the date of incurral shall be the same in both determinations.

**History:** Add. 1994, Act 148, Imd. Eff. June 7, 1994.

**Popular name:** Act 218