

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

500.721 Application of alternative method or basis to contract reserve; assumptions; methods to determine sound value of liabilities.

Sec. 721. (1) If the contract reserve on all health insurance policies and certificates to which an alternative method or basis is applied is not less in the aggregate than the amount determined according to the applicable standards specified in this chapter, an insurer may use any reasonable assumptions as to interest rates, termination, and mortality rates, and rates of morbidity or other contingency.

(2) Subject to subsection (1), the insurer may employ other methods in determining a sound value of its liabilities under health insurance policies and certificates, including, but not limited to, the following:

- (a) The net level premium method.
- (b) The 1-year full preliminary term method.
- (c) Prospective valuation on the basis of actual gross premiums with reasonable allowance for future expenses.
- (d) The use of approximations such as those involving age groupings, groupings of several years of issue, average amounts of indemnity, and grouping of similar contract forms.
- (e) The computation of the reserve for 1 contract benefit as a percentage of, or by other relation to, the aggregate contract reserves exclusive of the benefit or benefits so valued.
- (f) The use of a composite annual claim cost for all or any combination of the benefits included in the policies or certificates valued.

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

Popular name: Act 218