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

500.830 Life insurance policies and annuity and pure endowment contracts; life insurance contracts, annuity and pure endowment contracts, accident and health contracts, and deposit-type contracts; annual valuation of reserves; limitation; valuation fee; adopting lower standard of valuation; valuation of business of foreign cooperative or assessment insurer; definitions.

Sec. 830. (1) The director shall annually value the reserve liabilities, hereinafter called reserves, for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurer doing business in this state issued before the operative date of the valuation manual, except that for an alien insurer, the valuation is limited to its United States' business. In calculating the reserves, the director may use group methods and approximate averages for fractions of a year or otherwise. Instead of the valuation of the reserves required in this section of any foreign or alien insurer, the director may accept any valuation made by the insurance supervisory official of any state or other jurisdiction, if the valuation complies with the minimum standard provided in this section.

(2) The director shall annually value the reserve liabilities hereinafter called reserves for all outstanding life insurance contracts, annuity and pure endowment contracts, accident and health contracts, and deposit-type contracts of every company issued on or after the operative date of the valuation manual. On the election of a company, for a contract acquired by the company through a business acquisition or reinsurance transaction after the effective date of the amendatory act that added section 836a, regardless of when the contract was issued, the director shall annually value the reserves for the contract. Instead of the valuation of the reserves required of a foreign or alien company, the director may accept a valuation made by the insurance supervisory official of any state or other jurisdiction if the valuation complies with the minimum standard provided in this section.

(3) Except as otherwise provided in this subsection, the insurer shall pay to the director, as compensation for the valuation, 1 cent for each thousand dollars insured, under policies insuring residents of the United States, or issued by an insurer organized under the laws of this state. For annual valuations after December 31, 1987, the valuation fee imposed under this section does not apply to contracts of reinsurance. A valuation fee under this subsection does not apply to an annual valuation of a domestic insurer after December 31, 1987. For annual valuations for the 1994 calendar year, the valuation fee imposed under this subsection for alien insurers is .67 cent for each thousand dollars insured. After December 31, 1994, the valuation fee imposed under this subsection does not apply to alien insurers.

(4) An insurer that has adopted a standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard provided in this section may, with the approval of the director, adopt a lower standard of valuation, but not lower than the minimum provided in this section.

(5) A foreign cooperative or assessment insurer shall value its business and shall maintain reserves under the standards required of domestic insurers transacting similar insurance under this section.

(6) As used in this section:

(a) "Accident and health insurance" means contracts that incorporate morbidity risk and provide protection against economic loss resulting from accident, sickness, or medical conditions and as may be specified in the valuation manual.

(b) "Company" means an entity that has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state and has at least 1 life insurance, accident and health insurance, or deposit-type policy in force or on claim, or that has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in any state and is required to hold a certificate of authority to write life insurance, accident and health insurance, or deposit-type contracts in this state.

(c) "Deposit-type contract" means a contract that does not incorporate mortality or morbidity risks and as may be specified in the valuation manual.

(d) "Life insurance" means a contract that incorporates mortality risk, including annuity and pure endowment contracts, and as may be specified in the valuation manual.

(e) "NAIC" means the national association of insurance commissioners.

(f) "Valuation manual" means the manual of valuation instructions adopted by the NAIC as described in section 836b.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1961, Act 226, Eff. Sept. 8, 1961;—Am. 1987, Act 261, Imd. Eff. Dec. 28, 1987;—Am. 1992, Act 2, Imd. Eff. Jan. 31, 1992;—Am. 1994, Act 228, Imd. Eff. June 30, 1994;—Am. 2014, Act 571, Eff. Mar. 31, 2015.

Popular name: Act 218