

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

500.832 Valuation of life insurance policies and contracts issued before operative date of standard nonforfeiture law.

Sec. 832. (1) This section shall apply to only life insurance policies and contracts issued before the operative date of section 4060, the standard nonforfeiture law.

(2) Except as otherwise provided in section 835 for group annuity and pure endowment contracts issued before the operative date of section 4060, in valuing the policies to which this section applies, the rate of interest to be assumed shall, after and including the year 1896, be 4% per annum, and at the election of the insurer the rate of 4% shall be assumed any year before 1896, and the rate of mortality shall be that established by the "table of mortality based on American experience". Group life insurance policies may be valued on the basis of the American men ultimate table of mortality with interest at the rate of 3-1/2% per annum, except that the minimum standard for the valuation of annuities and pure endowments purchased under group annuity and pure endowment contracts shall be that provided in this section, but replacing the interest rates specified in this section by an interest rate of 5% per annum. However, at least 90 days before an insurer revalues reserves relative to annuities and pure endowments purchased under group annuity and pure endowment contracts in accordance with this subsection, the insurer shall give notice to the commissioner of its intent to do so in a form prescribed by the commissioner. The notice shall specify the amount of the reserves affected and the amount by which the reserves are proposed to be revalued. The notice shall also contain an actuarial certification that, after the proposed revaluation, the reserves will still be adequate to mature the obligations of the insurer on the policies and contracts for which the reserves were established. The certification shall be made by an actuary qualified to certify an annual statement described in section 438. Except as otherwise provided in section 834, all outstanding industrial life insurance policies issued on or after January 1, 1944 shall be valued on a basis of not less than the standard industrial table of mortality or the substandard industrial table of mortality with interest at the rate of 3-1/2% per annum. Upon written application of the insurer, the commissioner may vary the standards of mortality and interest required by this section. This section shall not permit the use of standards of mortality and interest or methods of producing aggregate reserves lower than those based upon the standard prescribed by this section. The policies shall be valued in accordance with the terms of the policy contracts. In each case in which the actual premium charged for an insurance is less than the net premium for the insurance, based upon the American experience table of mortality with interest at the rate of 4%, the insurer shall also be charged with the value of an annuity, the amount of which shall be equal to the difference between the premium charged and the net premium for the insurance based upon the American experience table with interest at the rate of 4% and the terms of which in years shall equal the number of future annual payments due on the insurance at the date of valuation.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1974, Act 302, Imd. Eff. Oct. 21, 1974;—Am. 1980, Act 58, Eff. Oct. 1, 1980.

Popular name: Act 218