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BILL ANALYSIS

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House Bill 5241 (as passed by the House)
Sponsor: Representative Daire Rendon
House Committee: Insurance
 Ways and Means
Senate Committee: Insurance and Banking

Date Completed: 12-10-19

CONTENT

The bill would amend Chapter 8 (Assets and Liabilities) of the Insurance Code to do the following:

- **Delete a provision that exempts certain insurers from the principle based-valuation and valuation manual requirements specified in the Code if certain requirements are met.**
- **Delete a provision allowing a domestic company that meets the prescribed requirements to elect to be bound by the principle-based valuation and valuation manual requirements for a calendar year.**
- **Delete a provision that specifies that the standards prescribed in the valuation manual adopted by the National Association of Insurance Commissioners (NAIC) are the minimum standard of valuation required.**

Under the Code, except as otherwise provided, a domestic company is exempt from the principle based-valuation and valuation manual requirements specified in the Code if it meets both of the following requirements:

- The company has less than \$500.0 million of ordinary life premiums and, if the company is a member of a group of life insurers, the group has combined ordinary life premiums of less than \$1.0 billion.
- The company reported total adjusted capital of at least 450% of the authorized control level risk-based capital in the most recent risk-based capital report and the appointed actuary has provided an unqualified opinion on the reserves.

For the above purposes, ordinary life premiums are measured as direct plus reinsurance assumed from an unaffiliated company from the prior calendar year annual statement.

A domestic company that meets both of the above requirements may elect to be bound by the principle-based valuation and Valuation Manual requirements for a calendar year. The election must be in writing and filed with the Director of the Department of Insurance and Financial services by February 1 of the year following the calendar year in which the company makes the election.

The bill would delete these provisions.

("Valuation manual" means the manual of valuation instructions adopted by the NAIC. "Company" means an entity that has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in the State and has at least one 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 the State.)

The Code specifies that, except as otherwise provided, for policies issued on or after the operative date of the valuation manual and, at a company's option for policies or individual blocks of policies acquired by the company through a business acquisition or reinsurance transaction after March 31, 2015, regardless of when the policies were issued, the standards prescribed in the valuation manual is the minimum standard of valuation required under Section 830(2). The bill would delete this provision.

(Section 830(2) requires the Director of the Department of Insurance and Financial Services to value the reserve liabilities annually 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 March 31, 2015, regardless of when the contract was issued, the Director must value the reserves for the contract annually. 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 Section 830.)

MCL 500.836b

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Raczkowski

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