



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bill 5514 (Substitute H-1 as passed by the House)  
Sponsor: Representative Lana Theis  
House Committee: Insurance  
Senate Committee: Insurance

Date Completed: 12-7-16

**CONTENT**

**The bill would amend the Insurance Code to prescribe the mortality tables to be used as the minimum standard for the valuation of individual annuity and pure endowment contracts (including those purchased under group contracts) issued after December 31, 2014; and authorize the use of a modified table or a different table subsequently adopted by the National Association of Insurance Commissioners (NAIC) and approved by the Director of the Department of Insurance and Financial Services (DIFS).**

The Code establishes the minimum standard for the valuation of life insurance policies and annuity and pure endowment contracts. The standard is the "Commissioner's Reserve Valuation Method" (CRVM) and specific tables and interest rates that vary depending on the type of policy or contract and the date it was issued. Generally, the Code refers to specific tables or any table subsequently adopted by NAIC that is approved by a rule promulgated by the DIFS Director, or a modification of those tables approved by the Director.

With regard to individual single premium immediate annuity contracts issued after September 30, 1980, other individual annuity and pure endowment contracts issued after September 30, 1980, and before January 1, 2015, and all annuities and pure endowment purchased between those dates under group contracts, the bill identifies three alternative tables that an insurer could elect to use, depending on when the contract was issued.

Except as otherwise provided, the minimum standard for the valuation of all individual annuity and pure endowment contracts issued after December 31, 2014, and for all annuities and pure endowments purchased after that date under group contracts, would have to be the CRVM, and, depending on the type of contract, a prescribed table and interest rate, or any table adopted by NAIC that was approved by a rule promulgated by the DIFS Director for use in determining the minimum standard of valuation, or a modification of the tables approved by the Director, and an interest rate determined by the methodology prescribed in the Code.

The bill would take effect 90 days after its enactment.

MCL 500.834 et al.

Legislative Analyst: Julie Cassidy

**FISCAL IMPACT**

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

Fiscal Analyst: Michael Siracuse

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.