

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

500.3927 Reasonableness of benefits relative to premiums; expected loss ratio; evaluation of factors; applicability of section.

Sec. 3927.

(1) Benefits under individual long-term care insurance policies shall be considered reasonable in relation to premiums provided the expected loss ratio is at least 60%, calculated in a manner that provides for adequate reserving of the long-term care insurance risk. In evaluating the expected loss ratio, due consideration shall be given to all relevant factors, including:

- (a) Statistical credibility of incurred claims experience and earned premiums.
- (b) The period for which rates are computed to provide coverage.
- (c) Experienced and projected trends.
- (d) Concentration of experience within early policy duration.
- (e) Expected claim fluctuation.
- (f) Experience refunds, adjustments, or dividends.
- (g) Renewability features.
- (h) All appropriate expense factors.
- (i) Interest.
- (j) Experimental nature of the coverage.
- (k) Policy reserves.
- (l) Mix of business by risk classification.
- (m) Product features such as long elimination periods, high deductibles, and high maximum limits.
- (n) Premiums charged and losses incurred for other similar policies.

(2) This section does not apply to fixed indivisible premium life insurance policies that fund long-term care benefits entirely by accelerating the death benefit.

(3) This section applies to all long-term care insurance policies or certificates except those described in sections 3926(1) and 3926a(1) and (2).

History: Add. 1992, Act 84, Imd. Eff. June 2, 1992 ;-- Am. 2006, Act 442, Imd. Eff. Oct. 19, 2006

Popular Name: Act 218