

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

500.3930 Acceleration of benefits under group or individual life policies or riders; determination of policy reserves.

Sec. 3930.

(1) If long-term care benefits are provided through the acceleration of benefits under group or individual life policies or riders to those policies, policy reserves for the benefits must be determined in accordance with section 834(1)(g). Claim reserves must also be established if the policy or rider is in claim status.

(2) Reserves for policies and riders subject to subsection (1) must be based on the multiple decrement model utilizing all relevant decrements except for voluntary termination rates. Single decrement approximations may be used if the calculation produces essentially similar reserves, if the reserve is clearly more conservative, or if the reserve is immaterial. The calculations may take into account the reduction in life insurance benefits due to the payment of long-term care benefits. However, the reserves for the long-term care benefit and the life insurance benefit must not be less than the reserves for the life insurance benefit assuming no long-term care benefit.

(3) In the development and calculation of reserves for policies and riders subject to subsection (1), due regard must be given to the applicable policy provisions, marketing methods, administrative procedures, and all other considerations that have an impact on projected claim costs, including, but not limited to, all of the following:

- (a) Definition of insured events.
- (b) Covered long-term care facilities.
- (c) Existence of home convalescence care coverage.
- (d) Definition of facilities.
- (e) Existence or absence of barriers to eligibility.
- (f) Premium waiver provision.
- (g) Renewability.
- (h) Ability to raise premiums.
- (i) Marketing method.
- (j) Underwriting procedures.
- (k) Claims adjustment procedures.
- (l) Waiting period.
- (m) Maximum benefit.
- (n) Availability of eligible facilities.
- (o) Margins in claim costs.
- (p) Optional nature of benefit.
- (q) Delay in eligibility for benefit.
- (r) Inflation protection provisions.
- (s) Guaranteed insurability option.

(4) Any applicable valuation morbidity table must be certified as appropriate as a statutory valuation table by a member of the American academy of actuaries.

History: Add. 1992, Act 84, Imd. Eff. June 2, 1992 ;-- Am. 2014, Act 571, Eff. Mar. 31, 2015

Popular Name: Act 218