Legislative Analysis

Mary Ann Cleary, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

MORTALITY TABLES

House Bill 5192
Sponsor: Rep. Andrea LaFontaine
Committee: Insurance

Complete to 3-12-14

A SUMMARY OF HOUSE BILL 5192 AS INTRODUCED 12-11-13

House Bill 5192 would amend the Insurance Code to allow a life insurance company to use the 2001 CSO preferred class structure mortality table as the minimum valuation standard for policies issued after June 30, 2004 and before January 1, 2007, subject to certain conditions.

Public Act 671 of 2006 add a new Section 838A to the Insurance Code to allow insurance companies to use the 2001 CSO preferred class structure mortality table in place of the 2001 CSO smoker and nonsmoker mortality table. Under PA 671, the preferred class structure mortality table could be used for policies issued on or after January 1, 2007.

The preferred class structure mortality table is defined as tables with separate rates of mortality for super preferred nonsmokers, preferred nonsmokers, residual standard smokers, preferred smokers, and residual standard smoker splits of the nonsmoker and smoker tables found in the 2001 CSO smoker and nonsmoker mortality table. The new tables had been adopted at the September 2006 national meeting of the National Association of Insurance Commissioners.

[A mortality table is "a chart showing the rate of death at each age in terms of number of deaths per thousand," according to Barron's Dictionary of Insurance Terms. Insurance companies use them to calculate the amount of reserves legally required and also to determine the cash surrender values of policies for customers.]

As noted above, the bill would allow an insurer to substitute the preferred class structure mortality table for the 2001 CSO mortality table for policies issued after June 30, 2004, and before January 1, 2007, subject to certain conditions,.

The first condition is the consent of the Director of the Department of Insurance and Financial Services. In determining consent, the director could rely on whether consent for the use of the preferred class structure mortality table was given to the insurance company by the commissioner of the insurer's state of domicile.

The second condition states that the table could not be used if the insurance company reports in any statutory financial statement for a coinsured policy or portion of a policy coinsured either of the following: (1) if the mode of payment of the reinsurance premium is less frequent than the mode of payment of the policy premium, a reserve credit that exceeds the gross reserve by a specified amount; or (2) if the mode of payment of the reinsurance premium is more frequent that the mode of payment of the policy premium, a reserve credit that is less than the gross reserve, calculated before reinsurance, by an amount specified in the bill.

FISCAL IMPACT:

The bill does not appear to have a fiscal impact on the state.

Legislative Analyst: Chris Couch
Fiscal Analyst: Paul Holland