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Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 666 (Substitute S-2 as reported)  
Sponsor: Senator Bill Bullard, Jr.  
Committee: Financial Services

### **CONTENT**

The bill would amend the Insurance Code to delete language that permits life insurers, unless otherwise prohibited, to use what is commonly called the "unitary method" of calculating reserves on certain policies or contracts.

This language is contained in Enacting Section 2 of Public Act 274 of 1995, which amended Section 834 of the Code. Public Act 274 deleted a provision that had required life insurers to use the unitary method of calculating reserves (determining the amount of capital that must be set aside) on policies and contracts issued before 1996, for which gross premiums varied by duration. Enacting Section 2, however, permits an insurer to use that method unless prohibited by the Commissioner of the Office of Financial and Insurance Services. Specifically, Enacting Section 2 states:

This amendatory act does not prohibit an insurer from calculating valuation net premiums as a uniform percentage of all the respective gross premiums or premiums guaranteed in the policy or contract for any policy or contract for which gross premiums vary by duration..., so long as not specifically prohibited from doing so by the commissioner.

The bill would repeal Enacting Section 2 effective January 1, 2002.

Legislative Analyst: S. Lowe

### **FISCAL IMPACT**

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

Date Completed: 10-18-01

Fiscal Analyst: M. Tyszkiewicz