

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

500.705 Disability income claim reserves; maximum interest rate; morbidity standards specified in rules; exception; group disability income claim reserves; duration from date of disablement 2 years or more but less than 5 years; basis; request for modification plan approval; elimination period; measurement of disablement duration.

Sec. 705.

(1) The maximum interest rate for claim reserves related to disability income is that rate specified in section 733.

(2) Minimum standards with respect to morbidity are those specified in rules promulgated pursuant to this chapter except that, at the option of the insurer, for claims with a duration from date of disablement of less than 2 years, reserves may be based upon the insurer's experience, if such experience is considered credible, or upon other assumptions designed to place a sound value on the liabilities.

(3) For group disability income claims with a duration from date of disablement of 2 years or more but less than 5 years, reserves may, with the approval of the commissioner, be based on the insurer's experience for which the insurer maintains underwriting and claim administration control. The request for approval of a plan of modification to the reserve basis shall include all of the following:

(a) An analysis of the credibility of the experience.

(b) A description of how all of the insurer's experience is proposed to be used in setting reserves.

(c) A description and quantification of the margins to be included.

(d) A summary of the financial impact that the proposed plan of modification would have had on the insurer's last filed annual statement.

(e) A copy of the approval of the proposed plan of modification by the commissioner.

(f) Any other information considered necessary by the commissioner.

(4) For health insurance policies and certificates with an elimination period, the duration of disablement shall be measured as dating from the time that benefits would have begun to accrue if there had not been an elimination period.

History: Add. 1994, Act 148, Imd. Eff. June 7, 1994

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