



# SENATE BILL No. 729

July 13, 1993, Introduced by Senator WARTNER and referred to the Committee on Commerce.

A bill to amend section 4113 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as added by Act No. 85 of the Public Acts of 1991, being section 500.4113 of the Michigan Compiled Laws.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1 Section 1. Section 4113 of Act No. 218 of the Public Acts  
2 of 1956, as added by Act No. 85 of the Public Acts of 1991, being  
3 section 500.4113 of the Michigan Compiled Laws, is amended to  
4 read as follows:

5 Sec. 4113. (1) A modified guaranteed annuity contract  
6 delivered or issued for delivery in this state shall contain a  
7 statement of the essential features of the procedures to be  
8 followed by the insurer in determining the dollar amount of  
9 nonforfeiture benefits.

1 (2) A modified guaranteed annuity contract calling for the  
2 payment of periodic stipulated payments shall not be delivered or  
3 issued for delivery in this state unless it contains in substance  
4 both of the following provisions:

5 (a) A grace period of 30 days or of 1 month, within which  
6 any stipulated payment to the insurer falling due after the first  
7 may be made and during which grace period the contract shall con-  
8 tinue in force. The contract may include a statement of the  
9 basis for determining the date as of which any such payment  
10 received during the grace period shall be applied to produce the  
11 values under the contract arising therefrom.

12 (b) A provision that, at any time within 1 year from the  
13 date of default, in making periodic stipulated payments to the  
14 insurer during the life of the annuitant and unless the cash sur-  
15 render value has been paid, the contract may be reinstated upon  
16 payment to the insurer of the overdue payments as required by  
17 contract, and of all indebtedness to the insurer on the contract,  
18 including interest. The contract may include a statement of the  
19 basis for determining the date as of which the amount to cover  
20 the overdue payments and indebtedness shall be applied to produce  
21 the values under the contract arising therefrom.

22 (3) The market-value adjustment formula, used in determining  
23 nonforfeiture benefits, shall be stated in the contract and shall  
24 be applicable for both upward and downward adjustments. When a  
25 contract is filed, it shall be accompanied by an actuarial state-  
26 ment indicating the basis for the market-value adjustment formula

1 and that the formula provides reasonable equity to both the  
2 contract holder and the insurer.

3       (4) ~~The~~ IF SO PROVIDED UNDER THE APPLICABLE CONTRACT, THE  
4 portion of the assets of any separate account equal to the  
5 reserves and other contract liabilities with respect to such  
6 account are not chargeable with liabilities arising out of any  
7 other business the insurer conducts.