

1 HB78  
2 216113-2  
3 By Representative Rich  
4 RFD: Insurance  
5 First Read: 11-JAN-22

1 ENGROSSED

2  
3  
4 A BILL  
5 TO BE ENTITLED  
6 AN ACT  
7

8 Relating to insurance; to amend Section 27-15-28.2,  
9 Code of Alabama 1975, relating to the standard nonforfeiture  
10 law for individual deferred annuities, to decrease the minimum  
11 interest rate to 15 basis points (0.15%); and to exempt  
12 contingent deferred annuities from the standard nonforfeiture  
13 law and to authorize the Commissioner of Insurance to adopt by  
14 rule the nonforfeiture benefits for contingent deferred  
15 annuities; to amend Sections 27-29-1, 27-29-3, 27-29-4, and  
16 27-29-7 of the Code of Alabama 1975, to revise the Alabama  
17 Insurance Holding Company System Regulatory Act and the  
18 regulation of insurance holding company systems by the  
19 Commissioner of Insurance; to provide for a group capital  
20 calculation and a liquidity stress test within the insurance  
21 holding company system; to further provide for the  
22 confidentiality of information in the possession of the  
23 Commissioner of Insurance and third party consultants  
24 designated by the commissioner relating to insurance holding  
25 company regulation and would include the group capital  
26 calculation and resulting group capital ratio and for the  
27 liquidity stress test and its results and supporting

1 documentation as filed with the commissioner within the  
2 confidentiality provisions; and to amend Section 27-36A-20,  
3 Code of Alabama 1975, as amended by Act 2021-397, 2021 Regular  
4 Session, the Standard Valuation Law, which requires the  
5 Commissioner of Insurance to annually value the reserves for  
6 outstanding life insurance policies and other contracts of  
7 life insurance companies doing business in this state; and to  
8 revise the small company alternative valuation provisions.

9 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

10 Section 1. Section 27-15-28.2 of the Code of Alabama  
11 1975, is amended to read as follows:

12 "§27-15-28.2.

13 "(a) This section shall be known as the standard  
14 nonforfeiture law for individual deferred annuities.

15 "(b) (1) This section shall not apply to any  
16 reinsurance group annuity purchased under a retirement plan or  
17 plan of deferred compensation established or maintained by an  
18 employer (including a partnership or sole proprietorship) or  
19 by an employee organization, or by both, other than a plan  
20 providing individual retirement accounts or individual  
21 retirement annuities under Section 408 of the Internal Revenue  
22 Code, as now or hereafter amended, premium deposit fund,  
23 variable annuity, investment annuity, immediate annuity, any  
24 deferred annuity contract after annuity payments have  
25 commenced or reversionary annuity, nor to any contract which  
26 shall be delivered outside this state through an agent or  
27 other representative of the company issuing the contract.

1           "(2) Subsections (c) through (h) shall not apply to  
2 contingent deferred annuities.

3           "(3) Notwithstanding subdivision (2), the  
4 commissioner may adopt by rule nonforfeiture benefits for  
5 contingent deferred annuities that, in the opinion of the  
6 commissioner, are equitable to the policy holder, appropriate  
7 given the risks insured, and to the extent possible,  
8 consistent with the general intent of this section.

9           "(c) (1) In the case of contracts issued on or after  
10 the operative date of this section as defined in subsection  
11 (1) no contract of annuity, except as stated in subsection  
12 (b), shall be delivered or issued for delivery in this state  
13 unless it contains in substance the following provisions, or  
14 corresponding provisions which in the opinion of the  
15 commissioner are at least as favorable to the contract holder,  
16 upon cessation of payment of considerations under the  
17 contract:

18           "a. That upon cessation of payment of considerations  
19 under a contract, or upon the written request of the contract  
20 owner, the company shall grant a paid-up annuity benefit on a  
21 plan stipulated in the contract of such value as is specified  
22 in subsections (e), (f), (g), (h), and (j).

23           "b. If a contract provides for a lump sum settlement  
24 at maturity, or at any other time, that upon surrender of the  
25 contract at or prior to the commencement of any annuity  
26 payments, the company shall pay in lieu of any paid-up annuity  
27 benefit a cash surrender benefit of such amount as is

1 specified in subsections (e), (f), (h), and (j). The company  
2 may reserve the right to defer the payment of such cash  
3 surrender benefit for a period not to exceed six months after  
4 demand therefor with surrender of the contract after making  
5 written request and receiving written approval of the  
6 commissioner. The request shall address the necessity and  
7 equitability to all policyholders of the deferral.

8 "c. A statement of the mortality table, if any, and  
9 interest rates used in calculating any minimum paid-up  
10 annuity, cash surrender or death benefits that are guaranteed  
11 under the contract, together with sufficient information to  
12 determine the amounts of such benefits.

13 "d. A statement that any paid-up annuity, cash  
14 surrender or death benefits that may be available under the  
15 contract are not less than the minimum benefits required by  
16 any statute of the state in which the contract is delivered  
17 and an explanation of the manner in which such benefits are  
18 altered by the existence of any additional amounts credited by  
19 the company to the contract, any indebtedness to the company  
20 on the contract or any prior withdrawals from or partial  
21 surrenders of the contract.

22 "(2) Notwithstanding the requirements of this  
23 section, any deferred annuity contract may provide that if no  
24 considerations have been received under a contract for a  
25 period of two full years and the portion of the paid-up  
26 annuity benefit at maturity on the plan stipulated in the  
27 contract arising from considerations paid prior to such period

1 would be less than twenty dollars (\$20) monthly, the company  
2 may at its option terminate such contract by payment in cash  
3 of the then present value of such portion of the paid-up  
4 annuity benefit, calculated on the basis of the mortality  
5 table, if any, and interest rate specified in the contract for  
6 determining the paid-up annuity benefit, and by such payment  
7 shall be relieved of any further obligation under such  
8 contract.

9 "(d) The minimum values as specified in subsections  
10 (e), (f), (g), (h), and (j) of any paid-up annuity, cash  
11 surrender or death benefits available under an annuity  
12 contract shall be based upon minimum nonforfeiture amounts as  
13 defined in this subsection.

14 "(1)a. The minimum nonforfeiture amount at any time  
15 at, or prior to, the commencement of any annuity payments  
16 shall be equal to an accumulation up to such time at rates of  
17 interest as indicated in subdivision (2) of the net  
18 considerations (as hereinafter defined) paid prior to such  
19 time, decreased by the sum of subparagraphs 1, 2, 3, and 4:

20 "1. Any prior withdrawals from or partial surrenders  
21 of the contract accumulated at rates of interest as indicated  
22 in subdivision (2).

23 "2. An annual contract charge of fifty dollars  
24 (\$50), accumulated at rates of interest as indicated in  
25 subdivision (2).

1           "3. Any premium tax paid by the company for the  
2 contract, accumulated at rates of interest as indicated in  
3 subdivision (2).

4           "4. The amount of any indebtedness to the company on  
5 the contract, including interest due and accrued.

6           "b. The net consideration for a given contract year  
7 used to define the minimum nonforfeiture amount shall be an  
8 amount equal to eighty-seven and one-half percent (87.5%) of  
9 the gross considerations credited to the contract during that  
10 contract year.

11           "(2) The interest rate used in determining minimum  
12 nonforfeiture amounts shall be an annual rate of interest  
13 determined as the lesser of three percent per annum and the  
14 following, which shall be specified in the contract if the  
15 interest rate will be reset:

16           "a. The five-year constant maturity treasury rate  
17 reported by the Federal Reserve as of a date, or average over  
18 a period, rounded to the nearest 1/20th of one percent,  
19 specified in the contract no longer than 15 months prior to  
20 the contract issue date or redetermination date under  
21 paragraph d.

22           "b. Reduced by 125 basis points (1.25%).

23           "c. Where the resulting interest rate is not less  
24 than ~~one percent~~ 15 basis points (0.15%).

25           "d. The interest rate shall apply for an initial  
26 period and may be redetermined for additional periods. The  
27 redetermination date, basis and period, if any, shall be

1 stated in the contract. The basis is the date or average over  
2 a specified period that produces the value of the five-year  
3 constant maturity treasury rate to be used at each  
4 redetermination date.

5 "(3) During the period or term that a contract  
6 provides substantive participation in an equity indexed  
7 benefit, it may increase the reduction described in paragraph  
8 b. of subdivision (2) by up to an additional 100 basis points  
9 to reflect the value of the equity index benefit. The present  
10 value at the contract issue date, and at each redetermination  
11 date thereafter, of the additional reduction shall not exceed  
12 the market value of the benefit. The commissioner may require  
13 a demonstration that the present value of the additional  
14 reduction does not exceed the market value of the benefit.  
15 Lacking such a demonstration that is acceptable to the  
16 commissioner, the commissioner may disallow or limit the  
17 additional reduction.

18 "(4) The commissioner may adopt rules to implement  
19 subdivision (3) and to provide for further adjustments to the  
20 calculation of minimum nonforfeiture amounts for contracts  
21 that provide substantive participation in an equity index  
22 benefit and for other contracts that the commissioner  
23 determines adjustments are justified.

24 "(e) Any paid-up annuity benefit available under a  
25 contract shall be such that its present value on the date  
26 annuity payments are to commence is at least equal to the  
27 minimum nonforfeiture amount on that date. Such present value



1 shall be computed using the mortality table, if any, and the  
2 interest rate specified in the contract for determining the  
3 minimum paid-up annuity benefits guaranteed in the contract.

4 "(f) For contracts which provide cash surrender  
5 benefits, such cash surrender benefits available prior to  
6 maturity shall not be less than the present value as of the  
7 date of surrender of that portion of the maturity value of the  
8 paid-up annuity benefit which would be provided under the  
9 contract at maturity arising from considerations paid prior to  
10 the time of cash surrender reduced by the amount appropriate  
11 to reflect any prior withdrawals from or partial surrender of  
12 the contract, such present value being calculated on the basis  
13 of an interest rate not more than one percent (1%) higher than  
14 the interest rate specified in the contract for accumulating  
15 the net considerations to determine such maturity value,  
16 decreased by the amount of any indebtedness to the company on  
17 the contract, including interest due and accrued, and  
18 increased by any existing additional amounts credited by the  
19 company to the contract. In no event shall any cash surrender  
20 benefit be less than the minimum nonforfeiture amount at that  
21 time. The death benefit under such contracts shall be at least  
22 equal to the cash surrender benefit.

23 "(g) For contracts which do not provide cash  
24 surrender benefits, the present value of any paid-up annuity  
25 benefit available as a nonforfeiture option at any time prior  
26 to maturity shall not be less than the present value of that  
27 portion of the maturity value of the paid-up annuity benefit

1 provided under the contract arising from considerations paid  
2 prior to the time the contract is surrendered in exchange for,  
3 or changed to, a deferred paid-up annuity, such present value  
4 being calculated for the period prior to the maturity date on  
5 the basis of the interest rate specified in the contract for  
6 accumulating the net considerations to determine such maturity  
7 value, and increased by any existing additional amounts  
8 credited by the company to the contract. For contracts which  
9 do not provide any death benefits prior to the commencement of  
10 any annuity payments, such present values shall be calculated  
11 on the basis of such interest rate and mortality table  
12 specified in the contract for determining the maturity value  
13 of the paid-up annuity benefit. However, in no event shall the  
14 present value of the paid-up annuity benefit be less than the  
15 minimum nonforfeiture amount at that time.

16 "(h) For the purpose of determining the benefits  
17 calculated under subsections (f) and (g) in the case of  
18 annuity contracts under which an election may be made to have  
19 annuity payments commence at optional maturity dates, the  
20 maturity date shall be deemed to be the latest date for which  
21 election shall be permitted by the contract, but shall not be  
22 deemed to be later than the anniversary of the contract next  
23 following the annuitant's seventieth birthday or the tenth  
24 anniversary of the contract, whichever is later.

25 "(i) Any contract which does not provide cash  
26 surrender benefits or does not provide death benefits at least  
27 equal to the minimum nonforfeiture amount prior to the

1 commencement of any annuity payments shall include a statement  
2 in a prominent place in the contract that such benefits are  
3 not provided.

4 "(j) Any paid-up annuity, cash surrender or death  
5 benefits available at any time, other than on the contract  
6 anniversary under any contract with fixed scheduled  
7 considerations, shall be calculated with allowance for the  
8 lapse of time and the payment of any scheduled considerations  
9 beyond the beginning of the contract year in which cessation  
10 of payment of considerations under the contract occurs.

11 "(k) For any contract which provides, within the  
12 same contract by rider or supplemental contract provisions,  
13 both annuity benefits and life insurance benefits that are in  
14 excess of the greater cash surrender benefits or a return of  
15 the gross considerations with interest, the minimum  
16 nonforfeiture benefits shall be equal to the sum of the  
17 minimum nonforfeiture benefits for the annuity portion and the  
18 minimum nonforfeiture benefits, if any, for the life insurance  
19 portion computed as if each portion were a separate contract.  
20 Notwithstanding the provisions of subsections (e), (f), (g),  
21 (h), and (j) additional benefits payable (1) in the event of  
22 total and permanent disability, (2) as reversionary annuity or  
23 deferred reversionary annuity benefits or, (3) as other policy  
24 benefits additional to life insurance, endowment and annuity  
25 benefits, and considerations for all such additional benefits  
26 shall be disregarded in ascertaining the minimum nonforfeiture  
27 amounts, paid-up annuity, cash surrender and death benefits

1 that may be required by this section. The inclusion of such  
2 additional benefits, unless such additional benefits  
3 separately would require minimum nonforfeiture amounts,  
4 paid-up annuity, cash surrender, and death benefits.

5 "(1) After June 30, 2004, any company may elect to  
6 apply the provisions of this section to annuity contracts on a  
7 contract form-by-contract form basis before July 1, 2006. In  
8 all other instances, this section shall become operative with  
9 respect to annuity contracts issued by the company after June  
10 30, 2006.

11 "(m) The commissioner may adopt rules to implement  
12 the provisions of this section."

13 Section 2. Sections 27-29-1, 27-29-3, 27-29-4, and  
14 27-29-7 of the Code of Alabama 1975, are amended to read as  
15 follows:

16 "§27-29-1.

17 "For purposes of this chapter, unless otherwise  
18 stated, the following terms shall have the meanings  
19 respectively ascribed to them by this section:

20 "(1) AFFILIATE. The term shall include an affiliate  
21 of, or person affiliated with, a specific person, and shall  
22 mean a person that directly, or indirectly through one or more  
23 intermediaries, controls, or is controlled by, or is under  
24 common control with, the person specified.

25 "(2) COMMISSIONER. The Commissioner of Insurance,  
26 his or her deputies, or the Insurance Department as  
27 appropriate.

1           "(3) CONTROL. The term shall include controlling,  
2           controlled by, or under common control with and shall mean the  
3           possession, direct or indirect, of the power to direct or  
4           cause the direction of the management and policies of a  
5           person, whether through the ownership of voting securities, by  
6           contract other than a commercial contract for goods or  
7           nonmanagement services, or otherwise, unless the power is the  
8           result of an official position with or corporate office held  
9           by the person. Control shall be presumed to exist if any  
10          person, directly or indirectly, owns, controls, holds with the  
11          power to vote, or holds proxies representing five percent or  
12          more of the voting securities of any other person. This  
13          presumption may be rebutted by a showing made in the manner  
14          provided by subsection (k) of Section 27-29-4 that control  
15          does not exist in fact. The commissioner may determine, after  
16          furnishing all persons in interest notice and opportunity to  
17          be heard and making a specific finding of fact to support such  
18          determination, that control exists in fact, notwithstanding  
19          the absence of a presumption to that effect.

20          "(4) ENTERPRISE RISK. Any activity, circumstance,  
21          event, or series of events involving one or more affiliates of  
22          an insurer that, if not remedied promptly, is likely to have a  
23          material adverse effect upon the financial condition or  
24          liquidity of the insurer or its insurance holding company  
25          system as a whole, including, but not limited to, anything  
26          that would cause the insurer's risk-based capital to fall into

1 company action level as set forth in Section 27-2B-4 or would  
2 cause the insurer to be in hazardous financial condition.

3 "(5) GROUP-WIDE SUPERVISOR. The regulatory official  
4 authorized to engage in conducting and coordinating group-wide  
5 supervision activities who is determined or acknowledged by  
6 the commissioner under this chapter to have sufficient  
7 significant contacts with the internationally active insurance  
8 group.

9 "(6) GROUP CAPITAL CALCULATION INSTRUCTIONS. The  
10 group capital calculation instructions as adopted and amended  
11 by the NAIC, from time to time, in accordance with the  
12 procedures adopted by the NAIC.

13 "~~(6)~~ (7) INSURANCE HOLDING COMPANY SYSTEM. A system  
14 which consists of two or more affiliated persons, one or more  
15 of which is an insurer.

16 "~~(7)~~ (8) INSURER. An insurance company as set forth  
17 in Section 27-1-2, including, without limitation, any  
18 fraternal benefit society, health care service plan, and  
19 health maintenance organization, except that it shall not  
20 include agencies, authorities, or instrumentalities of the  
21 United States, its possessions and territories, the  
22 Commonwealth of Puerto Rico, the District of Columbia, or a  
23 state or political subdivision of a state.

24 "~~(8)~~ (9) INTERNATIONALLY ACTIVE INSURANCE GROUP. An  
25 insurance holding company system that includes an insurer  
26 registered under Section 27-29-4 that meets all of the  
27 following criteria:

1 "a. Premiums are written in at least three  
2 countries.

3 "b. The percentage of gross premiums written outside  
4 the United States is at least 10 percent of the insurance  
5 holding company system's total gross written premiums.

6 "c. Based on a three-year rolling average, the total  
7 assets of the insurance holding company system are at least  
8 fifty billion dollars (\$50,000,000,000) or the total gross  
9 written premiums of the insurance holding company system are  
10 at least ten billion dollars (\$10,000,000,000).

11 "(10) NATIONAL ASSOCIATION OF INSURANCE  
12 COMMISSIONERS OR NAIC. The National Association of Insurance  
13 Commissioners.

14 "(11) NAIC LIQUIDITY STRESS TEST FRAMEWORK. A  
15 separate NAIC publication which includes a history of the  
16 NAIC's development of regulatory liquidity stress testing, the  
17 scope criteria applicable for a specific data year, and the  
18 liquidity stress test instructions and reporting templates for  
19 a specific data year, the scope criteria, instructions, and  
20 reporting template as adopted and amended by the NAIC, from  
21 time to time, in accordance with the procedures adopted by the  
22 NAIC.

23 "~~(9)~~ (12) PERSON. An individual, a corporation, a  
24 limited liability company, a partnership, an association, a  
25 joint-stock company, a trust, an unincorporated organization,  
26 or any similar entity or any combination of the foregoing  
27 acting in concert, but shall not include any joint venture

1 partnership exclusively engaged in owning, managing, leasing,  
2 or developing real or tangible personal property.

3 "(13) SCOPE CRITERIA. As detailed in the NAIC  
4 Liquidity Stress Test Framework, the designated exposure bases  
5 along with minimum magnitudes thereof for the specified data  
6 year, used to establish a preliminary list of insurers  
7 considered scoped into the NAIC Liquidity Stress Test  
8 Framework for that data year.

9 ~~"(10)~~ (14) SECURITYHOLDER. One who owns any security  
10 of such person, including common stock, preferred stock, debt  
11 obligations, and other security convertible into, or  
12 evidencing, the right to acquire any of the foregoing.

13 ~~"(11)~~ (15) SUBSIDIARY. An affiliate controlled by  
14 such person, directly or indirectly, through one or more  
15 intermediaries.

16 ~~"(12)~~ (16) VOTING SECURITY. The term shall include  
17 any security convertible into, or evidencing, a right to  
18 acquire a voting security.

19 "§27-29-3.

20 "(a) (1) No person other than the issuer shall make a  
21 tender offer for or a request or invitation for tenders of, or  
22 enter into any agreement to exchange securities for, seek to  
23 acquire, or acquire in the open market any voting security of  
24 a domestic insurer if, after the consummation thereof, such  
25 person would, directly or indirectly, or by conversion or by  
26 exercise of any right to acquire, be in control of such  
27 insurer, and no person shall enter into an agreement to merge



1 with or otherwise to acquire control of a domestic insurer, or  
2 any person controlling a domestic insurer unless, at the time  
3 any such offer, request, or invitation is made or any such  
4 agreement is entered into, or prior to the acquisition of such  
5 securities if no offer or agreement is involved such person  
6 has filed with the commissioner and has sent to such insurer a  
7 statement containing the information required by this section  
8 and such offer, request, invitation, agreement, or acquisition  
9 has been approved by the commissioner in the manner prescribed  
10 in this section.

11 "(2) For purposes of this section, any controlling  
12 person of a domestic insurer seeking to divest its controlling  
13 interest in the domestic insurer, in any manner, shall file  
14 with the commissioner, with a copy to the insurer,  
15 confidential notice of its proposed divestiture at least 30  
16 days prior to the cessation of control. The commissioner shall  
17 determine those instances in which the party or parties  
18 seeking to divest or to acquire a controlling interest in an  
19 insurer, will be required to file for and obtain approval of  
20 the transaction. The information shall remain confidential  
21 until the conclusion of the transaction unless the  
22 commissioner, in his or her discretion, determines that  
23 confidential treatment will interfere with enforcement of this  
24 section. If the statement referred to in subdivision (1) is  
25 otherwise filed, this subdivision shall not apply.

26 "(3) With respect to a transaction subject to this  
27 section, the acquiring person must also file a pre-acquisition

1 notification with the commissioner, which shall contain the  
2 information set forth in subdivision (1) of subsection (c) of  
3 Section 27-29-3.1. A failure to file the notification may be  
4 subject to penalty specified in subdivision of (3) of  
5 subsection (e) of Section 27-29-3.1.

6 "(4) For purposes of this section:

7 "a. A domestic insurer includes any person  
8 controlling a domestic insurer unless the person, as  
9 determined by the commissioner, is either directly or through  
10 its affiliates primarily engaged in business other than the  
11 business of insurance.

12 "b. Person does not include any securities broker  
13 holding, in the usual and customary broker's function, less  
14 than 20 percent of the voting securities of an insurance  
15 company or of any person which controls an insurance company.

16 "(b) (1) The statement to be filed with the  
17 commissioner under this section shall be made under oath or  
18 affirmation and shall contain all of the following  
19 information:

20 "a. The name and address of each person by whom, or  
21 on whose behalf, the merger or other acquisition of control  
22 referred to in subsection (a) is to be effected (hereinafter  
23 called "acquiring party"), and either of the following:

24 "1. If the person is an individual, his or her  
25 principal occupation and all offices and positions held during  
26 the past five years, and any conviction of crimes other than  
27 minor traffic violations during the past 10 years.

1           "2. If the person is not an individual, a report of  
2 the nature of its business operations during the past five  
3 years or for the lesser period as such person and any  
4 predecessors thereof shall have been in existence; an  
5 informative description of the business intended to be done by  
6 the person and the person's subsidiaries; and a list of all  
7 individuals who are, or who have been selected to become,  
8 directors or executive officers of the person or who perform,  
9 or will perform, functions appropriate to the positions. The  
10 list shall include for each individual the information  
11 required by subparagraph 1.

12           "b. The source, nature, and amount of the  
13 consideration used, or to be used, in effecting the merger or  
14 other acquisition of control, a description of any transaction  
15 wherein funds were, or are to be, obtained for any such  
16 purpose, including any pledge of the insurer's stock, or the  
17 stock of any of its subsidiaries or controlling affiliates,  
18 and the identity of persons furnishing such consideration;  
19 provided, however, that where a source of such consideration  
20 is a loan made in the lender's ordinary course of business,  
21 the identity of the lender shall remain confidential if the  
22 person filing such statement so requests.

23           "c. Fully audited financial information as to the  
24 earnings and financial condition of each acquiring party for  
25 the preceding five fiscal years of each such acquiring party,  
26 or for such lesser period as such acquiring party and any  
27 predecessors thereof shall have been in existence, and similar

1 unaudited information as of a date not earlier than 90 days  
2 prior to the filing of the statement.

3 "d. Any plans or proposals which each acquiring  
4 party may have to liquidate such insurer, to sell its assets,  
5 or to merge or consolidate it with any person or to make any  
6 other material change in its business or corporate structure  
7 or management.

8 "e. The number of shares of any security referred to  
9 in subsection (a) which each acquiring party proposes to  
10 acquire, the terms of the offer, request, invitation,  
11 agreement, or acquisition referred to in subsection (a), and a  
12 statement as to the method by which the fairness of the  
13 proposal was arrived at.

14 "f. The amount of each class of any security  
15 referred to in subsection (a) which is beneficially owned or  
16 concerning which there is a right to acquire beneficial  
17 ownership by each acquiring party.

18 "g. A full description of any contracts,  
19 arrangements, or understandings with respect to any security  
20 referred to in subsection (a) in which any acquiring party is  
21 involved, including, but not limited to, transfer of any of  
22 the securities, joint ventures, loan or option arrangements,  
23 puts or calls, guarantees of loans, guarantees against loss or  
24 guarantees of profits, division of losses or profits, or the  
25 giving or withholding of proxies. Such description shall  
26 identify the persons with whom such contracts, arrangements,  
27 or understandings have been entered.

1            "h. A description of the purchase of any security  
2 referred to in subsection (a) during the 12 calendar months  
3 preceding the filing of the statement by any acquiring party,  
4 including the dates of purchase, names of the purchasers, and  
5 consideration paid, or agreed to be paid, therefor.

6            "i. A description of any recommendations to purchase  
7 any security referred to in subsection (a) made during the 12  
8 calendar months preceding the filing of the statement by any  
9 acquiring party or by anyone based upon interviews or at the  
10 suggestion of such acquiring party.

11           "j. Copies of all tender offers for, requests or  
12 invitations for tenders of, exchange offers for and agreements  
13 to acquire or exchange any securities referred to in  
14 subsection (a) and, if distributed, of additional soliciting  
15 material relating thereto.

16           "k. The terms of any agreement, contract, or  
17 understanding made with or proposed to be made with any  
18 broker-dealer as to solicitation of securities referred to in  
19 subsection (a) for tender and the amount of any fees,  
20 commissions, or other compensation to be paid to  
21 broker-dealers with regard thereto.

22           "l. An agreement by the person required to file the  
23 statement referred to in subsection (a) that it will provide  
24 the annual report, specified in subdivision (1) of subsection  
25 (1) of Section 27-29-4, for so long as control exists.

26           "m. An acknowledgement by the person required to  
27 file the statement referred to in subsection (a) that the

1 person and all subsidiaries within its control in the  
2 insurance holding company system will provide information to  
3 the commissioner upon request as necessary to evaluate  
4 enterprise risk to the insurer.

5 "n. Such additional information as the commissioner  
6 may, by rule or regulation, prescribe as necessary or  
7 appropriate for the protection of policyholders of the insurer  
8 or in the public interest.

9 "(2) If the person required to file the statement  
10 referred to in subsection (a) is a partnership, limited  
11 partnership, syndicate, or other group, the commissioner may  
12 require that the information called for by paragraphs a.  
13 through n. of subdivision (1) shall be given with respect to  
14 each partner of such partnership or limited partnership, each  
15 member of such syndicate or group, and each person who  
16 controls such partner or member. If any such partner, member,  
17 or person is a corporation or the person required to file the  
18 statement referred to in subsection (a) is a corporation, the  
19 commissioner may require that the information called for by  
20 paragraphs a. through n. of subdivision (1) shall be given  
21 with respect to such corporation, each officer and director of  
22 such corporation, and each person who is, directly or  
23 indirectly, the beneficial owner of more than 10 percent of  
24 the outstanding voting securities of such corporation. If any  
25 material change occurs in the facts set forth in the statement  
26 filed with the commissioner and sent to such insurer pursuant  
27 to this section, an amendment setting forth such change,

1 together with copies of all documents and other materials  
2 relevant to such change, shall be filed with the commissioner  
3 and sent to such insurer within two business days after the  
4 person learns of such change.

5 "(c) If any offer, request, invitation, agreement,  
6 or acquisition referred to in subsection (a) is proposed to be  
7 made by means of a registration statement under the Securities  
8 Act of 1933, or in circumstances requiring the disclosure of  
9 similar information under the Securities Exchange Act of 1934,  
10 or under a state law requiring similar registration or  
11 disclosure, the person required to file the statement referred  
12 to in subsection (a) may utilize such documents in furnishing  
13 the information called for by that statement.

14 "(d) (1) The commissioner shall approve any merger or  
15 other acquisition of control referred to in subsection (a)  
16 unless, after a public hearing thereon, he or she finds any of  
17 the following:

18 "a. After the change of control, the domestic  
19 insurer referred to in subsection (a) would not be able to  
20 satisfy the requirements for the issuance of a license to  
21 write the line, or lines, of insurance for which it is  
22 presently licensed.

23 "b. The effect of the merger or other acquisition of  
24 control would be substantially to lessen competition in  
25 insurance in this state or to create a monopoly therein. In  
26 applying the competitive standard in this paragraph:

1           "1. The informational requirements of subdivision  
2 (1) of subsection (c) of Section 27-29-3.1 and the standards  
3 of subdivision (2) of subsection (d) of Section 27-29-3.1  
4 shall apply.

5           "2. The merger or other acquisition shall not be  
6 disapproved if the commissioner finds that any of the  
7 situations meeting the criteria provided by subdivision (3) of  
8 subsection (d) of Section 27-29-3.1 exist.

9           "3. The commissioner may condition the approval of  
10 the merger or other acquisition on the removal of the basis of  
11 disapproval within a specified period of time.

12           "c. The financial condition of any acquiring party  
13 is such as might jeopardize the financial stability of the  
14 insurer or prejudice the interest of its policyholders.

15           "d. The plans or proposals which the acquiring party  
16 has to liquidate the insurer, to sell its assets, or to  
17 consolidate or merge it with any person or to make any other  
18 material change in its business or corporate structure or  
19 management are unfair and unreasonable to policyholders of the  
20 insurer and not in the public interest.

21           "e. The competence, experience, and integrity of  
22 those persons who would control the operation of the insurer  
23 are such that it would not be in the interest of policyholders  
24 of the insurer and of the public to permit the merger or other  
25 acquisition of control.

26           "f. The acquisition is likely to be hazardous or  
27 prejudicial to the insurance-buying public.



1           "(2) The public hearing referred to in subdivision  
2       (1) shall be held within 30 days after the statement required  
3       by subsection (a) is filed, and at least 20 days' notice  
4       thereof shall be given by the commissioner to the person  
5       filing the statement. Not less than seven days' notice of such  
6       public hearing shall be given by the person filing the  
7       statement to the insurer and to such other persons as may be  
8       designated by the commissioner. The commissioner shall make a  
9       determination within the 60-day period preceding the effective  
10      date of the proposed transaction. At such hearing, the person  
11      filing the statement, the insurer, any person to whom notice  
12      of hearing was sent, and any other person whose interest may  
13      be affected thereby shall have the right to present evidence,  
14      examine and cross-examine witnesses and offer oral and written  
15      arguments and, in connection therewith, shall be entitled to  
16      conduct discovery proceedings in the same manner as is  
17      presently allowed in the circuit courts of this state. All  
18      discovery proceedings shall be concluded not later than three  
19      days prior to the commencement of the public hearing.

20           "(3) If the proposed acquisition of control will  
21      require the approval of more than one commissioner, the public  
22      hearing referred to in subdivision (2) may be held on a  
23      consolidated basis upon request of the person filing the  
24      statement referred to in subsection (a). The person shall file  
25      the statement referred to in subsection (a) with the ~~National~~  
26      ~~Association of Insurance Commissioners~~ NAIC within five days  
27      of making the request for a public hearing. A commissioner may

1 opt out of a consolidated hearing, and shall provide notice to  
2 the applicant of the opt-out within 10 days of the receipt of  
3 the statement referred to in subsection (a). A hearing  
4 conducted on a consolidated basis shall be public and shall be  
5 held within the United States before the commissioners of the  
6 states in which the insurers are domiciled. The commissioners  
7 shall hear and receive evidence. A commissioner may attend the  
8 hearing in person or by telecommunication.

9 "(4) In connection with a change of control of a  
10 domestic insurer, any determination by the commissioner that  
11 the person acquiring control of the insurer shall be required  
12 to maintain or restore the capital of the insurer to the level  
13 required by the laws and regulations of this state shall be  
14 made not later than 60 days after the date of notification of  
15 the change in control submitted pursuant to subdivision (1) of  
16 subsection (a).

17 "(5) The commissioner may retain any attorneys,  
18 actuaries, accountants, and other experts not otherwise a part  
19 of the commissioner's staff as may be reasonably necessary to  
20 assist the commissioner in reviewing the proposed acquisition  
21 of control, the reasonable expenses of which shall be borne by  
22 the acquiring person.

23 "(e) The provisions of this section shall not apply  
24 to:

25 "(1) Any transaction which is subject to the  
26 provisions of Sections 27-27-45 and 27-27-46, dealing with the  
27 merger or consolidation of two or more insurers.

1           "(2) Any offer, request, invitation, agreement, or  
2 acquisition which the commissioner by order shall exempt  
3 therefrom as either of the following:

4           "a. Not having been made or entered into for the  
5 purpose and not having the effect of changing or influencing  
6 the control of a domestic insurer.

7           "b. As otherwise not comprehended within the  
8 purposes of this section.

9           "(f) The following shall be violations of this  
10 section:

11           "(1) The failure to file any statement, amendment,  
12 or other material required to be filed pursuant to subsections  
13 (a) or (b).

14           "(2) The effectuation, or any attempt to effectuate,  
15 an acquisition of control of, or merger with, a domestic  
16 insurer unless the commissioner has given his or her approval  
17 thereto.

18           "(g) The courts of this state are hereby vested with  
19 jurisdiction over every person not resident, domiciled, or  
20 authorized to do business in this state who files a statement  
21 with the commissioner under this section and over all actions  
22 involving such person arising out of violations of this  
23 section, and each such person shall be deemed to have  
24 performed acts equivalent to and constituting an appointment  
25 by such a person of the commissioner to be his or her true and  
26 lawful attorney upon whom may be served all lawful process in  
27 any action or proceeding arising out of violations of this

1 section. Copies of all such lawful process shall be served on  
2 the commissioner and transmitted by registered or certified  
3 mail by the commissioner to such person at his or her last  
4 known address.

5 "§27-29-4.

6 "(a) (1) Every insurer which is authorized to do  
7 business in this state and which is a member of an insurance  
8 holding company system shall register with the commissioner,  
9 except a foreign insurer subject to registration requirements  
10 and standards adopted by statute or regulation in the  
11 jurisdiction of its domicile which are substantially similar  
12 to those contained in this section and both of the following:

13 "a. Subdivision (1) of subsection (a) of Section  
14 27-29-5, and subsections (b) and (d) of Section 27-29-5.

15 "b. Either subdivision (2) of subsection (a) of  
16 Section 27-29-5 or a provision such as the following: Each  
17 registered insurer shall keep current the information required  
18 to be disclosed in its registration statement by reporting all  
19 material changes or additions within 15 days after the end of  
20 the month in which it learns of each change or addition.

21 "(2) Any insurer which is subject to registration  
22 under this section shall register within 15 days after it  
23 becomes subject to registration, and annually thereafter by  
24 June 1 of each year for the previous calendar year, unless the  
25 commissioner for good cause shown extends the time for  
26 registration and, then, within such extended time. The  
27 commissioner may require any authorized insurer which is a

1 member of an insurance holding company system which is not  
2 subject to registration under this section to furnish a copy  
3 of the registration statement, the summary specified in  
4 subsection (c), or other information filed by such insurance  
5 company with the insurance regulatory authority of domiciliary  
6 jurisdiction.

7 "(b) Every insurer subject to registration shall  
8 file a registration statement on a form prescribed by the  
9 commissioner by rule which shall contain the following current  
10 information:

11 "(1) The capital structure, general financial  
12 condition, ownership, and management of the insurer and any  
13 person controlling the insurer.

14 "(2) The identity of every member of the insurance  
15 holding company system.

16 "(3) The following agreements in force, and  
17 transactions currently outstanding or which have occurred  
18 during the last calendar year between such insurer and its  
19 affiliates:

20 "a. Loans, other investments or purchases, sales or  
21 exchanges of securities of the affiliates by the insurer or of  
22 the insurer by its affiliates.

23 "b. Purchases, sales, or exchanges of assets.

24 "c. Transactions not in the ordinary course of  
25 business.

26 "d. Guarantees or undertakings for the benefit of an  
27 affiliate which result in an actual contingent exposure of the

1 insurer's assets to liability, other than insurance contracts  
2 entered into in the ordinary course of the insurer's business.

3 "e. All management agreements and service contracts  
4 and all cost-sharing arrangements.

5 "f. Reinsurance agreements.

6 "g. Dividends and other distributions to  
7 shareholders.

8 "h. Consolidated tax allocation agreements.

9 "(4) Any pledge of the insurer's stock, including  
10 stock of any subsidiary or controlling affiliate, for a loan  
11 made to any member of the insurance holding company system.

12 "(5) If requested by the commissioner, financial  
13 statements of or within an insurance holding company system,  
14 including all affiliates. Financial statements may include,  
15 but are not limited to, annual audited financial statements  
16 filed with the U.S. Securities and Exchange Commission  
17 pursuant to the Securities Act of 1933, as amended, or the  
18 Securities Exchange Act of 1934, as amended. An insurer  
19 required to file financial statements pursuant to this  
20 subdivision may satisfy the request by providing the  
21 commissioner with the most recently filed parent corporation  
22 financial statements that have been filed with the Securities  
23 Exchange Commission. Financial statements of insurer's  
24 affiliates required to be filed with the commissioner may be  
25 filed by the insurer in the accounting standard utilized by  
26 the affiliate in its usual course of business at the time of  
27 the filing.

1           "(6) Other matters concerning transactions between  
2 registered insurers and any affiliates as may be included,  
3 from time to time, in any registration forms adopted or  
4 approved by the commissioner.

5           "(7) Statements that the insurer's board of  
6 directors or an appropriate committee of the board oversees  
7 corporate governance and internal controls and that the  
8 insurer's officers or senior management have approved,  
9 implemented, and continue to maintain and monitor corporate  
10 governance and internal control procedures.

11           "(8) Any other information required by the  
12 commissioner by rule.

13           "(c) All registration statements shall contain a  
14 summary outlining all items in the current registration  
15 statement representing changes from the prior registration  
16 statement.

17           "(d) No information need be disclosed on the  
18 registration statement filed pursuant to subsection (b) if  
19 such information is not material for the purposes of this  
20 section. Unless the commissioner by rule, regulation, or order  
21 provides otherwise, sales, purchases, exchanges, loans, or  
22 extensions of credit or investments involving one-half of one  
23 percent or less of an insurer's admitted assets as of December  
24 31, next preceding, shall not be deemed material for purposes  
25 of this section. The definition of materiality provided in  
26 this subsection shall not apply for purposes of the Group  
27 Capital Calculation or the Liquidity Stress Test Framework.

1           "(e) Subject to subsection (b) of Section 27-29-5,  
2 each registered insurer shall so report all dividends and  
3 other distributions to shareholders within 15 business days  
4 following the declaration thereof.

5           "(f) Any person within an insurance holding company  
6 system subject to registration shall be required to provide  
7 complete and accurate information to an insurer, where the  
8 information is reasonably necessary to enable the insurer to  
9 comply with the provisions of this chapter.

10           "(g) The commissioner shall terminate the  
11 registration of any insurer which demonstrated that it no  
12 longer is a member of an insurance holding company system.

13           "(h) The commissioner may require or allow two or  
14 more affiliated insurers subject to registration under this  
15 section to file a consolidated registration statement.

16           "(i) The commissioner may allow an insurer which is  
17 authorized to do business in this state and which is part of  
18 an insurance holding company system to register on behalf of  
19 any affiliated insurer which is required to register under  
20 subsection (a) and to file all information and material  
21 required to be filed under this section.

22           "(j) The provisions of this section shall not apply  
23 to any insurer, information, or transaction if, and to the  
24 extent that, the commissioner by rule, regulation, or order  
25 shall exempt the same from the provisions of this section.

26           "(k) Any person may file with the commissioner a  
27 disclaimer of affiliation with any authorized insurer or a



1 disclaimer may be filed by the insurer or any member of an  
2 insurance holding company system. The disclaimer shall fully  
3 disclose all material relationships and bases for affiliation  
4 between the person and the insurer, as well as the basis for  
5 disclaiming such affiliation. A disclaimer of affiliation  
6 shall be deemed to have been granted unless the commissioner,  
7 within 30 days following receipt of a complete disclaimer,  
8 notifies the filing party the disclaimer is disallowed. In the  
9 event of disallowance, the disclaiming party may request an  
10 administrative hearing, which shall be granted. The  
11 disclaiming party shall be relieved of its duty to register  
12 under this section if approval of the disclaimer has been  
13 granted by the commissioner, or if the disclaimer is deemed to  
14 have been approved.

15 "(1) Enterprise Risk Filings.

16 "(1) Enterprise Risk Report. The ultimate  
17 controlling person of every insurer subject to registration  
18 shall also file an annual enterprise risk report. The report  
19 shall, to the best of the ultimate controlling person's  
20 knowledge and belief, identify the material risks within the  
21 insurance holding company system that could pose enterprise  
22 risk to the insurer. The report shall be filed with the lead  
23 state commissioner of the insurance holding company system as  
24 determined by the procedures within the Financial Analysis  
25 Handbook adopted by the ~~National Association of Insurance~~  
26 ~~Commissioners~~ NAIC.

1           "(2) Group Capital Calculation. Except as provided  
2 in this subdivision, the ultimate controlling person of every  
3 insurer subject to registration shall concurrently file with  
4 the registration an annual group capital calculation as  
5 directed by the lead state commissioner. The report shall be  
6 completed in accordance with the NAIC Group Capital  
7 Calculation Instructions, which may permit the lead state  
8 commissioner to allow a controlling person that is not the  
9 ultimate controlling person to file the group capital  
10 calculation. The report shall be filed with the lead state  
11 commissioner of the insurance holding company system as  
12 determined by the commissioner in accordance with the  
13 procedures within the Financial Analysis Handbook adopted by  
14 the NAIC. The following insurance holding company systems  
15 described are exempt from filing the group capital  
16 calculation:

17           "a. An insurance holding company system that has  
18 only one insurer within its holding company structure, that  
19 only writes business and is only licensed in its domestic  
20 state, and assumes no business from any other insurer.

21           "b. An insurance holding company system that is  
22 required to perform a group capital calculation specified by  
23 the United States Federal Reserve Board. The lead state  
24 commissioner shall request the calculation from the Federal  
25 Reserve Board under the terms of information sharing  
26 agreements in effect. If the Federal Reserve Board cannot  
27 share the calculation with the lead state commissioner, the

1 insurance holding company system is not exempt from the group  
2 capital calculation filing.

3 "c. An insurance holding company system whose  
4 non-U.S. group-wide supervisor is located within a Reciprocal  
5 Jurisdiction as described in Section 27-5B-8.1, as added to  
6 the Code of Alabama 1975, by Act 2021-235, 2021 Regular  
7 Session, which recognizes the U.S. state regulatory approach  
8 to group supervision and group capital.

9 "d. An insurance holding company system meeting both  
10 of the following:

11 "1. That provides information to the lead state that  
12 meets the requirements for accreditation under the NAIC  
13 financial standards and accreditation program, either directly  
14 or indirectly through the group-wide supervisor, who has  
15 determined such information is satisfactory to allow the lead  
16 state to comply with the NAIC group supervision approach, as  
17 detailed in the NAIC Financial Analysis Handbook.

18 2. Whose non-U.S. group-wide supervisor that is not  
19 in a Reciprocal Jurisdiction recognizes and accepts, as  
20 specified by the commissioner in regulation, the group capital  
21 calculation as the world-wide group capital assessment for  
22 U.S. insurance groups who operate in that jurisdiction.

23 "e. Notwithstanding the provisions of paragraphs c.  
24 and d., a lead state commissioner shall require the group  
25 capital calculation for U.S. operations of any non-U.S. based  
26 insurance holding company system when, after any necessary  
27 consultation with other supervisors or officials, the lead

1 state commissioner deems it appropriate for prudential  
2 oversight and solvency monitoring purposes or for ensuring the  
3 competitiveness of the insurance marketplace.

4 "f. Notwithstanding the exemptions from filing the  
5 group capital calculation stated in paragraphs a. through d.,  
6 the lead state commissioner may exempt the ultimate  
7 controlling person from filing the annual group capital  
8 calculation or to accept a limited group capital filing or  
9 report in accordance with criteria as specified by the  
10 commissioner in regulation.

11 "g. If the lead state commissioner determines that  
12 an insurance holding company system no longer meets one or  
13 more of the requirements for an exemption from filing the  
14 group capital calculation under this section, the insurance  
15 holding company system shall file the group capital  
16 calculation at the next annual filing date, unless given an  
17 extension by the lead state commissioner based on reasonable  
18 grounds shown.

19 "(3) Liquidity Stress Test.

20 "a. The ultimate controlling person of every insurer  
21 subject to registration and also scoped into the NAIC  
22 Liquidity Stress Test Framework shall file the results of a  
23 specific year's liquidity stress test. The filing shall be  
24 made to the lead state insurance commissioner of the insurance  
25 holding company system as determined by the procedures within  
26 the Financial Analysis Handbook adopted by the NAIC.

1           "b. The NAIC Liquidity Stress Test Framework  
2 includes scope criteria applicable to a specific data year.  
3 These scope criteria are reviewed at least annually by the  
4 Financial Stability Task Force or its successor. Any change to  
5 the NAIC Liquidity Stress Test Framework, or to the data year  
6 for which the scope criteria are to be measured, shall be  
7 effective on January 1 of the year following the calendar year  
8 when such changes are adopted. Insurers meeting at least one  
9 threshold of the scope criteria are considered scoped into the  
10 NAIC Liquidity Stress Test Framework for the specified data  
11 year, unless the lead state insurance commissioner, in  
12 consultation with the NAIC Financial Stability Task Force or  
13 its successor, determines the insurer should not be scoped  
14 into the framework for that data year. Similarly, insurers  
15 that do not trigger at least one threshold of the scope  
16 criteria are considered scoped out of the NAIC Liquidity  
17 Stress Test Framework for the specified data year, unless the  
18 lead state insurance commissioner, in consultation with the  
19 NAIC Financial Stability Task Force or its successor,  
20 determines the insurer should be scoped into the framework for  
21 that data year.

22           "c. Regulators should avoid having insurers scoped  
23 in and out of the NAIC Liquidity Stress Test Framework on a  
24 frequent basis. The lead state insurance commissioner, in  
25 consultation with the Financial Stability Task Force or its  
26 successor, shall assess this concern as part of the  
27 determination for an insurer.

1           "d. The performance of, and filing of the results  
2 from, a specific year's liquidity stress test shall comply  
3 with the NAIC Liquidity Stress Test Framework's instructions  
4 and reporting templates for that year and any lead state  
5 insurance commissioner determinations, in conjunction with the  
6 Financial Stability Task Force or its successor, provided  
7 within the Framework.

8           "(m) The failure to file a registration statement or  
9 any summary of the registration statement or enterprise risk  
10 filing required by this section within the time specified for  
11 filing shall be a violation of this section.

12           "§27-29-7.

13           "(a) (1) All documents, materials, or other  
14 information, and copies thereof, in the possession or control  
15 of the department that are obtained by or disclosed to the  
16 commissioner or any other person in the course of an  
17 examination or investigation made pursuant to Section 27-29-6  
18 and all information reported pursuant to paragraphs l. and m.  
19 of subdivision (1) of subsection (b) of Section 27-29-3,  
20 Section 27-29-4, Section 27-29-5, and Section 27-29-6.2 are  
21 recognized by this state as being proprietary and containing  
22 trade secrets, and shall be confidential by law and  
23 privileged, shall not be subject to any open records, freedom  
24 of information, sunshine or other public record disclosure  
25 laws, and shall not be subject to subpoena. The commissioner  
26 may use the documents, materials, and other information in the  
27 furtherance of any regulatory or legal action in the course of

1 the commissioner's official duties. The documents, materials,  
2 and other information shall not be made public by the  
3 commissioner or any other person without the prior written  
4 consent of the insurer to which it pertains unless the  
5 commissioner determines that the interests of policyholders,  
6 shareholders, or the public will be served by the publication  
7 thereof, in which event the commissioner may publish all, or  
8 any part thereof, in such manner as the commissioner may deem  
9 appropriate. Prior to making this determination, the  
10 commissioner shall give the insurer and its affiliates who  
11 would be affected thereby no less than 10 days' written notice  
12 of the opportunity to request a hearing on the matter.

13 "(2) For purposes of the information reported and  
14 provided to the commissioner pursuant to subdivision (2) of  
15 subsection (1) of Section 27-29-4, the commissioner shall  
16 maintain the confidentiality of the group capital calculation  
17 and group capital ratio produced within the calculation and  
18 any group capital information received from an insurance  
19 holding company supervised by the Federal Reserve Board or any  
20 U.S. group-wide supervisor.

21 "(3) For purposes of the information reported and  
22 provided to the commissioner pursuant to subdivision (3) of  
23 subsection (1) of Section 27-29-4, the commissioner shall  
24 maintain the confidentiality of the liquidity stress test  
25 results and supporting disclosures and any liquidity stress  
26 test information received from an insurance holding company

1 supervised by the Federal Reserve Board and any non-U.S.  
2 group-wide supervisors.

3 "(b) Neither the commissioner nor any person who  
4 received documents, materials, or other information while  
5 acting under the authority of the commissioner or with whom  
6 such documents, materials, or other information are shared  
7 pursuant to this chapter shall be permitted or required to  
8 testify in any private civil action concerning any  
9 confidential documents, materials, or information subject to  
10 subsection (a).

11 "(c) In order to assist in the performance of the  
12 commissioner's duties, the commissioner:

13 "(1) May share documents, materials, or other  
14 information, including the confidential and privileged  
15 documents, materials, or information subject to subsection  
16 (a), including proprietary and trade secret documents and  
17 materials, with other state, federal, and international  
18 regulatory agencies, with the ~~National Association of~~  
19 ~~Insurance Commissioners~~ NAIC, with any third-party consultants  
20 designated by the commissioner to perform examination or  
21 actuarial functions, ~~and its affiliates and subsidiaries,~~ and  
22 with state, federal, and international law enforcement  
23 authorities, including members of any supervisory college  
24 described in Section 27-29-6.1, provided that the recipient  
25 agrees in writing to maintain the confidentiality and  
26 privileged status of the document, material, or other



1 information, and has verified in writing the legal authority  
2 to maintain confidentiality.

3 "(2) Notwithstanding subdivision (1) above, may  
4 share confidential and privileged documents, material, or  
5 information reported pursuant to subsection (1) of Section  
6 27-29-4 only with commissioners of states having statutes or  
7 regulations substantially similar to subsection (a) and who  
8 have agreed in writing not to disclose such information.

9 "(3) May receive documents, materials, or  
10 information, including otherwise confidential and privileged  
11 documents, materials, or information, including proprietary  
12 and trade secret information from the ~~National Association of~~  
13 ~~Insurance Commissioners~~ NAIC and its affiliates and  
14 subsidiaries and from regulatory and law enforcement officials  
15 of other foreign or domestic jurisdictions, and shall maintain  
16 as confidential or privileged any document, material, or  
17 information received with notice or the understanding that it  
18 is confidential or privileged under the laws of the  
19 jurisdiction that is the source of the document, material, or  
20 information.

21 "(4) Shall enter into written agreements with the  
22 ~~National Association of Insurance Commissioners~~ NAIC and any  
23 third-party consultant designated by the commissioner to  
24 perform examination or actuarial functions governing sharing  
25 and use of information provided pursuant to this chapter  
26 consistent with this subsection that shall:

1            "a. Specify procedures and protocols regarding the  
2 confidentiality and security of information shared with the  
3 ~~National Association of Insurance Commissioners and its~~  
4 ~~affiliates and subsidiaries~~ NAIC or a third-party consultant  
5 designated by the commissioner pursuant to this chapter,  
6 including procedures and protocols for sharing by the ~~National~~  
7 ~~Association of Insurance Commissioners~~ NAIC with other state,  
8 federal, or international regulators. The agreement shall  
9 provide that the recipient agrees in writing to maintain the  
10 confidentiality and privileged status of the documents,  
11 materials, or other information and has verified in writing  
12 the legal authority to maintain the confidentiality.

13            "b. Specify that ownership of information shared  
14 with the ~~National Association of Insurance Commissioners~~ NAIC  
15 or a third-party consultant and its affiliates and  
16 subsidiaries pursuant to this chapter remains with the  
17 commissioner and the use of the information by the ~~National~~  
18 ~~Association of Insurance Commissioners~~ NAIC or a third-party  
19 consultant as designated by the commissioner to perform  
20 examination or actuarial functions is subject to the direction  
21 of the commissioner.

22            "c. Require at least 10 days' notice to be given to  
23 an insurer whose confidential information in the possession of  
24 the ~~National Association of Insurance Commissioners~~ NAIC or a  
25 third-party consultant designated by the commissioner pursuant  
26 to this chapter is subject to a request or subpoena to the  
27 ~~National Association of Insurance Commissioners~~ NAIC or a

1 third-party consultant designated by the commissioner for  
2 disclosure or production.

3 "d. Require the ~~National Association of Insurance~~  
4 ~~Commissioners and its affiliates and subsidiaries~~ NAIC or a  
5 third-party consultant designated by the commissioner to  
6 perform examination or actuarial functions to consent to  
7 intervention by an insurer in any judicial or administrative  
8 action in which the ~~National Association of Insurance~~  
9 ~~Commissioners and its affiliates and subsidiaries~~ NAIC or a  
10 third-party consultant designated by the commissioner may be  
11 required to disclose confidential information about the  
12 insurer shared with the ~~National Association of Insurance~~  
13 ~~Commissioners and its affiliates and subsidiaries~~ NAIC or a  
14 third-party consultant designated by the commissioner pursuant  
15 to this chapter.

16 "e. Excluding documents, materials, or other  
17 information reported pursuant to subdivision (3) of subsection  
18 (1) of Section 27-29-4, prohibit the NAIC or a third-party  
19 consultant designated by the commissioner to perform  
20 examination or actuarial functions from storing the  
21 information shared pursuant to this chapter in a permanent  
22 database after the underlying analysis is completed.

23 "f. For documents, materials, or other information  
24 reported pursuant to subdivision (3) of subsection (1) of  
25 Section 27-29-4, in the case of an agreement involving a  
26 third-party consultant, provide for notification of the  
27 identity of the consultant to the applicable insurers.

1           "(d) The sharing of information by the commissioner  
2 pursuant to this chapter shall not constitute a delegation of  
3 regulatory authority or rulemaking, and the commissioner is  
4 solely responsible for the administration, execution, and  
5 enforcement of this chapter.

6           "(e) No waiver of any applicable privilege or claim  
7 of confidentiality in the documents, materials, or information  
8 shall occur as a result of disclosure to the commissioner  
9 under this section or as a result of sharing as authorized in  
10 subsection (c).

11           "(f) Documents, materials, or other information in  
12 the possession or control of the ~~National Association of~~  
13 ~~Insurance Commissioners~~ NAIC or a third-party consultant  
14 designated by the commissioner pursuant to this chapter shall  
15 be confidential by law and privileged, shall not be subject to  
16 open records, freedom of information, sunshine or other public  
17 records disclosure laws, shall not be subject to subpoena, and  
18 shall not be subject to discovery or admissible in evidence in  
19 any private civil action.

20           "(g) The group capital calculation and resulting  
21 group capital ratio required under subdivision (2) of  
22 subsection (1) of Section 27-29-4 and the liquidity stress  
23 test along with its results and supporting disclosures  
24 required under subdivision (3) of subsection (1) of Section  
25 27-29-4 are regulatory tools for assessing group risks and  
26 capital adequacy and group liquidity risks, respectively, and  
27 are not intended as a means to rank insurers or insurance

1 holding company systems generally. Therefore, except as  
2 otherwise may be required under the provisions of this  
3 chapter, the making, publishing, disseminating, circulating,  
4 or placing before the public, or causing directly or  
5 indirectly to be made, published, disseminated, circulated, or  
6 placed before the public in a newspaper, magazine, or other  
7 publication, or in the form of a notice, circular, pamphlet,  
8 letter, or poster, or over any radio or television station, or  
9 any electronic means of communication available to the public,  
10 or in any other way as an advertisement, announcement, or  
11 statement containing a representation or statement with regard  
12 to the group capital calculation, group capital ratio, the  
13 liquidity stress test result, or supporting disclosures for  
14 the liquidity stress test of any insurer or any insurer group,  
15 or of any component derived in the calculation by any insurer,  
16 broker, or other person engaged in any manner in the insurance  
17 business would be misleading and is therefore prohibited;  
18 provided, however, that if any materially false statement with  
19 respect to the group capital calculation, resulting group  
20 capital ratio, an inappropriate comparison of any amount to an  
21 insurer's or insurance group's group capital calculation or  
22 resulting group capital ratio, liquidity stress test result,  
23 supporting disclosures for the liquidity stress test, or an  
24 inappropriate comparison of any amount to an insurer's or  
25 insurance group's liquidity stress test result or supporting  
26 disclosures is published in any written publication and the  
27 insurer is able to demonstrate to the commissioner with

1 substantial proof the falsity of such statement or the  
2 inappropriateness, as the case may be, then the insurer may  
3 publish announcements in a written publication if the sole  
4 purpose of the announcement is to rebut the materially false  
5 statement.

6 Section 3. Section 27-36A-20 of the Code of Alabama  
7 1975, is amended to read as follows:

8 "§27-36A-20.

9 "(a) A company calculating reserves under this  
10 section shall calculate reserves for ~~ordinary~~ life insurance,  
11 accident and health insurance contracts, credit life  
12 contracts, group life contracts, annuities, or deposit-type  
13 contracts in this state as if the policies were issued before  
14 the operative date of the ~~valuation manual~~ Valuation Manual.  
15 For policies issued on or after the operative date of the  
16 ~~valuation manual~~ Valuation Manual, ~~any mortality and interest~~  
17 ~~rates~~ applicable actuarial assumptions defined by the  
18 ~~valuation manual~~ Valuation Manual for ~~net premium~~ reserves  
19 shall be used. A company calculating reserves under this  
20 section shall comply with ~~Section 27-36A-4(a)~~ instead of  
21 Section 27-36A-4(b) and ~~meet all,~~ if it meets at least one of  
22 ~~the following~~ conditions: set forth in subdivisions (1) or  
23 (2), may file a statement of exemption for individual life  
24 insurance policies and certificates, except for those policies  
25 identified in subsection (c) issued directly or assumed during  
26 the current calendar year that would otherwise be subject to

1 Chapter 20 of the Valuation Manual, a statement of exemption  
2 is not required.

3 "(1) The company has less than three hundred million  
4 dollars (\$300,000,000) of ~~ordinary life exemption~~ premium  
5 ~~and, (2) If if~~ the company is a member of a group ~~of that~~  
6 includes other life insurers insurance companies, the group  
7 has combined ~~ordinary life exemption~~ premium of less than six  
8 hundred million dollars (\$600,000,000).

9 ~~"(3) (2) A universal life policy with a secondary~~  
10 ~~guarantee issued after the operative date of the valuation~~  
11 ~~manual meets the definition of a non-material secondary~~  
12 ~~guarantee universal life product as defined in the valuation~~  
13 ~~manual. The only new policies that would otherwise be subject~~  
14 ~~to Chapter 20 of the Valuation Manual being issued or assumed~~  
15 ~~by the company are due to election of policy benefits or~~  
16 ~~features from existing policies valued under Appendix A and~~  
17 ~~Appendix C of the Valuation Manual and the company was~~  
18 ~~exempted from, or otherwise not subject to, the requirements~~  
19 ~~of Chapter 20 of the Valuation Manual in the policy year.~~

20 "(b) The exemption premium is determined under the  
21 Valuation Manual as follows:

22 "(1) The amount reported in the prior calendar year  
23 life/health annual statement, Exhibit 1, Part 1, Column 3  
24 (Ordinary Life Insurance), line 20.1; plus

25 "(2) The portion of the amount in the prior calendar  
26 year life/health annual statement, Exhibit 1, Part 1, Column 3

1 (Ordinary Life Insurance), line 20.2 assumed from unaffiliated  
2 companies; minus

3 "(3) The amount included in either (1) or (2) that  
4 is associated with guaranteed issue insurance policies and/or  
5 preneed life insurance policies; minus

6 "(4) The amount included in either a. or b. that  
7 represents transfers of reserves in force as of the effective  
8 date of a reinsurance assumed transaction; plus

9 "(5) The amount of premium for individual life  
10 certificates issued under a group life certificate which meets  
11 the conditions defined in Chapter 20 of the Valuation Manual  
12 and that are not included in either (1) or (2).

13 "(c) The following policies are excluded from the  
14 Life Principal Based Reserving (PBR) Exemption:

15 "(1) Universal Life with Secondary Guarantee (ULSG)  
16 policies.

17 "(2) Policies other than ULSG policies that contain  
18 a rider with a secondary guarantee, in which the secondary  
19 guarantee does not meet the Valuation Manual definition of a  
20 nonmaterial secondary guarantee.

21 ~~"(b)~~ (d) Each exemption or lack of exemption  
22 pursuant to this section applies to policies issued or assumed  
23 in the current year and to all future valuation dates for  
24 those policies.

25 ~~"(c) For purposes of subdivisions (a) (1) and (a) (2),~~  
26 ~~ordinary life premium is measured as direct premium plus~~



1 ~~reinsurance assumed from an unaffiliated company, as reported~~  
2 ~~in the prior calendar year annual statement.~~

3 ~~"(d)~~ (e) An Alabama-domiciled company intending to  
4 calculate reserves as described in this section must file a  
5 statement with the commissioner prior to July 1 of each year  
6 certifying that ~~these~~ at least one of the conditions of  
7 subdivisions (1) or (2) of subsection (a) is ~~are met for the~~  
8 ~~current calendar year based on premiums and other values from~~  
9 ~~the prior financial statements.~~ The commissioner may reject  
10 the statement prior to September 1 if the commissioner  
11 specifically identifies risk in the affected policies that  
12 requires a principle-based valuation and require the company  
13 to comply with the ~~valuation manual~~ Valuation Manual  
14 requirements.

15 "(f) If a filed statement of exemption is not  
16 rejected by the commissioner, the filing of subsequent  
17 statements of exemption is not required if the company  
18 continues to qualify for the exemption. Ongoing statements of  
19 exemption for each new calendar year shall not be deemed to be  
20 rejected, unless both of the following apply:

21 "(1) The company does not meet at least one  
22 condition in subdivisions (1) or (2) of subsection (a).

23 "(2) The commissioner notifies the company prior to  
24 September 1 that the statement of exemption is rejected.

25 "(g) If an ongoing statement of exemption is  
26 rejected, the statement of exemption for the current calendar  
27 year is deemed rejected and a new statement of exemption must

1 be filed and not rejected in order for the company to exempt  
2 additional policies.

3 "(h) The minimum reserve requirements for life  
4 insurance, accident and health insurance contracts, credit  
5 life contracts, group life contracts, annuities, or  
6 deposit-type contracts issued on or after the operative date  
7 of the Valuation Manual for a company calculating reserves  
8 under this section are those pursuant to applicable  
9 requirements in Appendix A and Appendix C of the Valuation  
10 Manual using the mortality as defined in Section 3.C.1 of  
11 Chapter 20 and Appendix M of the Valuation Manual.

12 ~~(e)~~ (i) A company that reports reserves using the  
13 alternative valuation shall also be exempt from the  
14 principle-based reserves corporate governance requirements,  
15 certification of effectiveness of principle-based reserves  
16 internal controls, and a principle-based reserves valuation  
17 report."

18 Section 4. This act shall become effective  
19 immediately following its passage and approval by the  
20 Governor, or its otherwise becoming law.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17

House of Representatives

Read for the first time and  
referred to the House of Represen-  
tatives committee on Insurance.....       ..... 11-JAN-22

Read for the second time and placed  
on the calendar 1 amendment .....       ..... 09-FEB-22

Read for the third time and passed  
as amended.....       ..... 16-FEB-22

Yeas 102, Nays 0, Abstains 0

Jeff Woodard  
Clerk