

1 HB258  
2 209529-1  
3 By Representative Rich  
4 RFD: Insurance  
5 First Read: 02-FEB-21

SYNOPSIS: Under existing law, the Standard Valuation Law requires the Commissioner of Insurance to annually value the reserves for outstanding life insurance policies and annuity and endowment contracts of life insurance companies doing business in this state. The law provides for an alternative valuation for small companies that meet certain conditions, including certain dollar figures of premiums.

This bill would revise the conditions for the Commissioner of Insurance to use the small company alternative valuation provisions for the valuation of the reserves of certain small companies meeting certain requirements.

A BILL  
TO BE ENTITLED  
AN ACT

1           Relating to insurance; to amend Section 27-36A-20 of  
2 the Code of Alabama 1975, the Standard Valuation Law, which  
3 requires the Commissioner of Insurance to annually value the  
4 reserves for outstanding life insurance policies and other  
5 contracts of life insurance companies doing business in this  
6 state; and to revise the small company alternative valuation.

7 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

8           Section 1. Section 27-36A-20 of the Code of Alabama  
9 1975, is amended to read as follows:

10           "§27-36A-20.

11           "(a) A company calculating reserves under this  
12 section shall calculate reserves for ordinary life insurance,  
13 accident and health insurance contracts, credit life  
14 contracts, group life contracts, annuities, or deposit-type  
15 contracts in this state as if the policies were issued before  
16 the operative date of the valuation manual. For such policies  
17 issued after the operative date of the valuation manual, any  
18 mortality and interest rates defined by the valuation manual  
19 for net premium reserves shall be used. A company calculating  
20 reserves under this section shall comply with Section  
21 27-36A-4(a) instead of Section 27-36A-4(b) and meet all of the  
22 following conditions:

23           "(1) The company has less than three hundred million  
24 dollars (\$300,000,000) of ordinary life premium.

25           "(2) If the company is a member of a group of life  
26 insurers, the group has combined ordinary life premium of less  
27 than six hundred million dollars (\$600,000,000).

1           ~~"(3) The company reported total adjusted capital of~~  
2           ~~at least 450 percent of authorized control level risk capital~~  
3           ~~in the risk-based capital report for the prior calendar year.~~

4           ~~"(4) The appointed actuary has provided an~~  
5           ~~unqualified opinion on the reserves in accordance with Section~~  
6           ~~27-36A-4 for the prior calendar year.~~

7           ~~"(5) (3) The company has provided a certification by~~  
8           ~~a qualified actuary that any A universal life policy with a~~  
9           secondary guarantee issued after the operative date of the  
10          valuation manual meets the definition of a non-material  
11          secondary guarantee universal life product as defined in the  
12          valuation manual.

13                 (b) Each exemption or lack of exemption pursuant to  
14                 this section applies to policies issued or assumed in the  
15                 current year and to all future valuation dates for those  
16                 policies.

17           ~~"(b)(c) For purposes of subdivisions (1) and (2) of~~  
18           subdivision (a), ordinary life premium is measured as direct  
19           premium plus reinsurance assumed from an unaffiliated company,  
20           as reported in the prior calendar year annual statement.

21           ~~"(c)(d) An Alabama-domiciled company intending to~~  
22           calculate reserves as described in this section must file a  
23           statement with the commissioner prior to July 1 of each year  
24           certifying that these conditions are met for the current  
25           calendar year based on premiums and other values from the  
26           prior financial statements. The commissioner may reject the  
27           statement prior to September 1 if the commissioner

1 specifically identifies risk in the affected policies that  
2 requires a principle-based valuation and require the company  
3 to comply with the valuation manual requirements.

4 "~~(d)~~(e) A company that reports reserves using the  
5 alternative valuation shall also be exempt from the  
6 principle-based reserves corporate governance requirements,  
7 certification of effectiveness of principle-based reserves  
8 internal controls, and a principle-based reserves valuation  
9 report."

10 Section 2. This act shall become effective  
11 immediately following its passage and approval by the  
12 Governor, or its otherwise becoming law.