

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

1
2 ENROLLED, An Act,

3 Relating to insurance; to amend Section 27-15-28.2,
4 Code of Alabama 1975, relating to the standard nonforfeiture
5 law for individual deferred annuities, to decrease the minimum
6 interest rate to 15 basis points (0.15%); and to exempt
7 contingent deferred annuities from the standard nonforfeiture
8 law and to authorize the Commissioner of Insurance to adopt by
9 rule the nonforfeiture benefits for contingent deferred
10 annuities; to amend Sections 27-29-1, 27-29-3, 27-29-4, and
11 27-29-7 of the Code of Alabama 1975, to revise the Alabama
12 Insurance Holding Company System Regulatory Act and the
13 regulation of insurance holding company systems by the
14 Commissioner of Insurance; to provide for a group capital
15 calculation and a liquidity stress test within the insurance
16 holding company system; to further provide for the
17 confidentiality of information in the possession of the
18 Commissioner of Insurance and third party consultants
19 designated by the commissioner relating to insurance holding
20 company regulation and would include the group capital
21 calculation and resulting group capital ratio and for the
22 liquidity stress test and its results and supporting
23 documentation as filed with the commissioner within the
24 confidentiality provisions; and to amend Section 27-36A-20,
25 Code of Alabama 1975, as amended by Act 2021-397, 2021 Regular

1 Session, the Standard Valuation Law, which requires the
2 Commissioner of Insurance to annually value the reserves for
3 outstanding life insurance policies and other contracts of
4 life insurance companies doing business in this state; and to
5 revise the small company alternative valuation provisions.

6 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

7 Section 1. Section 27-15-28.2 of the Code of Alabama
8 1975, is amended to read as follows:

9 "§27-15-28.2.

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

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

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

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

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

24 "(2) Notwithstanding the requirements of this
25 section, any deferred annuity contract may provide that if no

1 considerations have been received under a contract for a
2 period of two full years and the portion of the paid-up
3 annuity benefit at maturity on the plan stipulated in the
4 contract arising from considerations paid prior to such period
5 would be less than twenty dollars (\$20) monthly, the company
6 may at its option terminate such contract by payment in cash
7 of the then present value of such portion of the paid-up
8 annuity benefit, calculated on the basis of the mortality
9 table, if any, and interest rate specified in the contract for
10 determining the paid-up annuity benefit, and by such payment
11 shall be relieved of any further obligation under such
12 contract.

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

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

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

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

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

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

12 "b. The net consideration for a given contract year
13 used to define the minimum nonforfeiture amount shall be an
14 amount equal to eighty-seven and one-half percent (87.5%) of
15 the gross considerations credited to the contract during that
16 contract year.

17 "(2) The interest rate used in determining minimum
18 nonforfeiture amounts shall be an annual rate of interest
19 determined as the lesser of three percent per annum and the
20 following, which shall be specified in the contract if the
21 interest rate will be reset:

22 "a. The five-year constant maturity treasury rate
23 reported by the Federal Reserve as of a date, or average over
24 a period, rounded to the nearest 1/20th of one percent,
25 specified in the contract no longer than 15 months prior to

1 the contract issue date or redetermination date under
2 paragraph d.

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

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

6 "d. The interest rate shall apply for an initial
7 period and may be redetermined for additional periods. The
8 redetermination date, basis and period, if any, shall be
9 stated in the contract. The basis is the date or average over
10 a specified period that produces the value of the five-year
11 constant maturity treasury rate to be used at each
12 redetermination date.

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

1 "(4) The commissioner may adopt rules to implement
2 subdivision (3) and to provide for further adjustments to the
3 calculation of minimum nonforfeiture amounts for contracts
4 that provide substantive participation in an equity index
5 benefit and for other contracts that the commissioner
6 determines adjustments are justified.

7 "(e) Any paid-up annuity benefit available under a
8 contract shall be such that its present value on the date
9 annuity payments are to commence is at least equal to the
10 minimum nonforfeiture amount on that date. Such present value
11 shall be computed using the mortality table, if any, and the
12 interest rate specified in the contract for determining the
13 minimum paid-up annuity benefits guaranteed in the contract.

14 "(f) For contracts which provide cash surrender
15 benefits, such cash surrender benefits available prior to
16 maturity shall not be less than the present value as of the
17 date of surrender of that portion of the maturity value of the
18 paid-up annuity benefit which would be provided under the
19 contract at maturity arising from considerations paid prior to
20 the time of cash surrender reduced by the amount appropriate
21 to reflect any prior withdrawals from or partial surrender of
22 the contract, such present value being calculated on the basis
23 of an interest rate not more than one percent (1%) higher than
24 the interest rate specified in the contract for accumulating
25 the net considerations to determine such maturity value,

1 decreased by the amount of any indebtedness to the company on
2 the contract, including interest due and accrued, and
3 increased by any existing additional amounts credited by the
4 company to the contract. In no event shall any cash surrender
5 benefit be less than the minimum nonforfeiture amount at that
6 time. The death benefit under such contracts shall be at least
7 equal to the cash surrender benefit.

8 "(g) For contracts which do not provide cash
9 surrender benefits, the present value of any paid-up annuity
10 benefit available as a nonforfeiture option at any time prior
11 to maturity shall not be less than the present value of that
12 portion of the maturity value of the paid-up annuity benefit
13 provided under the contract arising from considerations paid
14 prior to the time the contract is surrendered in exchange for,
15 or changed to, a deferred paid-up annuity, such present value
16 being calculated for the period prior to the maturity date on
17 the basis of the interest rate specified in the contract for
18 accumulating the net considerations to determine such maturity
19 value, and increased by any existing additional amounts
20 credited by the company to the contract. For contracts which
21 do not provide any death benefits prior to the commencement of
22 any annuity payments, such present values shall be calculated
23 on the basis of such interest rate and mortality table
24 specified in the contract for determining the maturity value
25 of the paid-up annuity benefit. However, in no event shall the

1 present value of the paid-up annuity benefit be less than the
2 minimum nonforfeiture amount at that time.

3 "(h) For the purpose of determining the benefits
4 calculated under subsections (f) and (g) in the case of
5 annuity contracts under which an election may be made to have
6 annuity payments commence at optional maturity dates, the
7 maturity date shall be deemed to be the latest date for which
8 election shall be permitted by the contract, but shall not be
9 deemed to be later than the anniversary of the contract next
10 following the annuitant's seventieth birthday or the tenth
11 anniversary of the contract, whichever is later.

12 "(i) Any contract which does not provide cash
13 surrender benefits or does not provide death benefits at least
14 equal to the minimum nonforfeiture amount prior to the
15 commencement of any annuity payments shall include a statement
16 in a prominent place in the contract that such benefits are
17 not provided.

18 "(j) Any paid-up annuity, cash surrender or death
19 benefits available at any time, other than on the contract
20 anniversary under any contract with fixed scheduled
21 considerations, shall be calculated with allowance for the
22 lapse of time and the payment of any scheduled considerations
23 beyond the beginning of the contract year in which cessation
24 of payment of considerations under the contract occurs.

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

22 "(1) After June 30, 2004, any company may elect to
23 apply the provisions of this section to annuity contracts on a
24 contract form-by-contract form basis before July 1, 2006. In
25 all other instances, this section shall become operative with

1 respect to annuity contracts issued by the company after June
2 30, 2006.

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

5 Section 2. Sections 27-29-1, 27-29-3, 27-29-4, and
6 27-29-7 of the Code of Alabama 1975, are amended to read as
7 follows:

8 "§27-29-1.

9 "For purposes of this chapter, unless otherwise
10 stated, the following terms shall have the meanings
11 respectively ascribed to them by this section:

12 "(1) AFFILIATE. The term shall include an affiliate
13 of, or person affiliated with, a specific person, and shall
14 mean a person that directly, or indirectly through one or more
15 intermediaries, controls, or is controlled by, or is under
16 common control with, the person specified.

17 "(2) COMMISSIONER. The Commissioner of Insurance,
18 his or her deputies, or the Insurance Department as
19 appropriate.

20 "(3) CONTROL. The term shall include controlling,
21 controlled by, or under common control with and shall mean the
22 possession, direct or indirect, of the power to direct or
23 cause the direction of the management and policies of a
24 person, whether through the ownership of voting securities, by
25 contract other than a commercial contract for goods or

1 nonmanagement services, or otherwise, unless the power is the
2 result of an official position with or corporate office held
3 by the person. Control shall be presumed to exist if any
4 person, directly or indirectly, owns, controls, holds with the
5 power to vote, or holds proxies representing five percent or
6 more of the voting securities of any other person. This
7 presumption may be rebutted by a showing made in the manner
8 provided by subsection (k) of Section 27-29-4 that control
9 does not exist in fact. The commissioner may determine, after
10 furnishing all persons in interest notice and opportunity to
11 be heard and making a specific finding of fact to support such
12 determination, that control exists in fact, notwithstanding
13 the absence of a presumption to that effect.

14 "(4) ENTERPRISE RISK. Any activity, circumstance,
15 event, or series of events involving one or more affiliates of
16 an insurer that, if not remedied promptly, is likely to have a
17 material adverse effect upon the financial condition or
18 liquidity of the insurer or its insurance holding company
19 system as a whole, including, but not limited to, anything
20 that would cause the insurer's risk-based capital to fall into
21 company action level as set forth in Section 27-2B-4 or would
22 cause the insurer to be in hazardous financial condition.

23 "(5) GROUP-WIDE SUPERVISOR. The regulatory official
24 authorized to engage in conducting and coordinating group-wide
25 supervision activities who is determined or acknowledged by

1 the commissioner under this chapter to have sufficient
2 significant contacts with the internationally active insurance
3 group.

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

8 ~~"(6)~~ (7) INSURANCE HOLDING COMPANY SYSTEM. A system
9 which consists of two or more affiliated persons, one or more
10 of which is an insurer.

11 ~~"(7)~~ (8) INSURER. An insurance company as set forth
12 in Section 27-1-2, including, without limitation, any
13 fraternal benefit society, health care service plan, and
14 health maintenance organization, except that it shall not
15 include agencies, authorities, or instrumentalities of the
16 United States, its possessions and territories, the
17 Commonwealth of Puerto Rico, the District of Columbia, or a
18 state or political subdivision of a state.

19 ~~"(8)~~ (9) INTERNATIONALLY ACTIVE INSURANCE GROUP. An
20 insurance holding company system that includes an insurer
21 registered under Section 27-29-4 that meets all of the
22 following criteria:

23 "a. Premiums are written in at least three
24 countries.

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

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

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

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

21 "~~(9)~~ (12) PERSON. An individual, a corporation, a
22 limited liability company, a partnership, an association, a
23 joint-stock company, a trust, an unincorporated organization,
24 or any similar entity or any combination of the foregoing
25 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

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

13 "(2) For purposes of this section, any controlling
14 person of a domestic insurer seeking to divest its controlling
15 interest in the domestic insurer, in any manner, shall file
16 with the commissioner, with a copy to the insurer,
17 confidential notice of its proposed divestiture at least 30
18 days prior to the cessation of control. The commissioner shall
19 determine those instances in which the party or parties
20 seeking to divest or to acquire a controlling interest in an
21 insurer, will be required to file for and obtain approval of
22 the transaction. The information shall remain confidential
23 until the conclusion of the transaction unless the
24 commissioner, in his or her discretion, determines that
25 confidential treatment will interfere with enforcement of this

1 section. If the statement referred to in subdivision (1) is
2 otherwise filed, this subdivision shall not apply.

3 "(3) With respect to a transaction subject to this
4 section, the acquiring person must also file a pre-acquisition
5 notification with the commissioner, which shall contain the
6 information set forth in subdivision (1) of subsection (c) of
7 Section 27-29-3.1. A failure to file the notification may be
8 subject to penalty specified in subdivision of (3) of
9 subsection (e) of Section 27-29-3.1.

10 "(4) For purposes of this section:

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

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

20 "(b) (1) The statement to be filed with the
21 commissioner under this section shall be made under oath or
22 affirmation and shall contain all of the following
23 information:

24 "a. The name and address of each person by whom, or
25 on whose behalf, the merger or other acquisition of control

1 referred to in subsection (a) is to be effected (hereinafter
2 called "acquiring party"), and either of the following:

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

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

18 "b. The source, nature, and amount of the
19 consideration used, or to be used, in effecting the merger or
20 other acquisition of control, a description of any transaction
21 wherein funds were, or are to be, obtained for any such
22 purpose, including any pledge of the insurer's stock, or the
23 stock of any of its subsidiaries or controlling affiliates,
24 and the identity of persons furnishing such consideration;
25 provided, however, that where a source of such consideration

1 is a loan made in the lender's ordinary course of business,
2 the identity of the lender shall remain confidential if the
3 person filing such statement so requests.

4 "c. Fully audited financial information as to the
5 earnings and financial condition of each acquiring party for
6 the preceding five fiscal years of each such acquiring party,
7 or for such lesser period as such acquiring party and any
8 predecessors thereof shall have been in existence, and similar
9 unaudited information as of a date not earlier than 90 days
10 prior to the filing of the statement.

11 "d. Any plans or proposals which each acquiring
12 party may have to liquidate such insurer, to sell its assets,
13 or to merge or consolidate it with any person or to make any
14 other material change in its business or corporate structure
15 or management.

16 "e. The number of shares of any security referred to
17 in subsection (a) which each acquiring party proposes to
18 acquire, the terms of the offer, request, invitation,
19 agreement, or acquisition referred to in subsection (a), and a
20 statement as to the method by which the fairness of the
21 proposal was arrived at.

22 "f. The amount of each class of any security
23 referred to in subsection (a) which is beneficially owned or
24 concerning which there is a right to acquire beneficial
25 ownership by each acquiring party.

1 "g. A full description of any contracts,
2 arrangements, or understandings with respect to any security
3 referred to in subsection (a) in which any acquiring party is
4 involved, including, but not limited to, transfer of any of
5 the securities, joint ventures, loan or option arrangements,
6 puts or calls, guarantees of loans, guarantees against loss or
7 guarantees of profits, division of losses or profits, or the
8 giving or withholding of proxies. Such description shall
9 identify the persons with whom such contracts, arrangements,
10 or understandings have been entered.

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

16 "i. A description of any recommendations to purchase
17 any security referred to in subsection (a) made during the 12
18 calendar months preceding the filing of the statement by any
19 acquiring party or by anyone based upon interviews or at the
20 suggestion of such acquiring party.

21 "j. Copies of all tender offers for, requests or
22 invitations for tenders of, exchange offers for and agreements
23 to acquire or exchange any securities referred to in
24 subsection (a) and, if distributed, of additional soliciting
25 material relating thereto.

1 "k. The terms of any agreement, contract, or
2 understanding made with or proposed to be made with any
3 broker-dealer as to solicitation of securities referred to in
4 subsection (a) for tender and the amount of any fees,
5 commissions, or other compensation to be paid to
6 broker-dealers with regard thereto.

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

11 "m. An acknowledgement by the person required to
12 file the statement referred to in subsection (a) that the
13 person and all subsidiaries within its control in the
14 insurance holding company system will provide information to
15 the commissioner upon request as necessary to evaluate
16 enterprise risk to the insurer.

17 "n. Such additional information as the commissioner
18 may, by rule or regulation, prescribe as necessary or
19 appropriate for the protection of policyholders of the insurer
20 or in the public interest.

21 "(2) If the person required to file the statement
22 referred to in subsection (a) is a partnership, limited
23 partnership, syndicate, or other group, the commissioner may
24 require that the information called for by paragraphs a.
25 through n. of subdivision (1) shall be given with respect to

1 each partner of such partnership or limited partnership, each
2 member of such syndicate or group, and each person who
3 controls such partner or member. If any such partner, member,
4 or person is a corporation or the person required to file the
5 statement referred to in subsection (a) is a corporation, the
6 commissioner may require that the information called for by
7 paragraphs a. through n. of subdivision (1) shall be given
8 with respect to such corporation, each officer and director of
9 such corporation, and each person who is, directly or
10 indirectly, the beneficial owner of more than 10 percent of
11 the outstanding voting securities of such corporation. If any
12 material change occurs in the facts set forth in the statement
13 filed with the commissioner and sent to such insurer pursuant
14 to this section, an amendment setting forth such change,
15 together with copies of all documents and other materials
16 relevant to such change, shall be filed with the commissioner
17 and sent to such insurer within two business days after the
18 person learns of such change.

19 "(c) If any offer, request, invitation, agreement,
20 or acquisition referred to in subsection (a) is proposed to be
21 made by means of a registration statement under the Securities
22 Act of 1933, or in circumstances requiring the disclosure of
23 similar information under the Securities Exchange Act of 1934,
24 or under a state law requiring similar registration or
25 disclosure, the person required to file the statement referred

1 to in subsection (a) may utilize such documents in furnishing
2 the information called for by that statement.

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

7 "a. After the change of control, the domestic
8 insurer referred to in subsection (a) would not be able to
9 satisfy the requirements for the issuance of a license to
10 write the line, or lines, of insurance for which it is
11 presently licensed.

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

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

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

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

4 "c. The financial condition of any acquiring party
5 is such as might jeopardize the financial stability of the
6 insurer or prejudice the interest of its policyholders.

7 "d. The plans or proposals which the acquiring party
8 has to liquidate the insurer, to sell its assets, or to
9 consolidate or merge it with any person or to make any other
10 material change in its business or corporate structure or
11 management are unfair and unreasonable to policyholders of the
12 insurer and not in the public interest.

13 "e. The competence, experience, and integrity of
14 those persons who would control the operation of the insurer
15 are such that it would not be in the interest of policyholders
16 of the insurer and of the public to permit the merger or other
17 acquisition of control.

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

20 "(2) The public hearing referred to in subdivision
21 (1) shall be held within 30 days after the statement required
22 by subsection (a) is filed, and at least 20 days' notice
23 thereof shall be given by the commissioner to the person
24 filing the statement. Not less than seven days' notice of such
25 public hearing shall be given by the person filing the

1 statement to the insurer and to such other persons as may be
2 designated by the commissioner. The commissioner shall make a
3 determination within the 60-day period preceding the effective
4 date of the proposed transaction. At such hearing, the person
5 filing the statement, the insurer, any person to whom notice
6 of hearing was sent, and any other person whose interest may
7 be affected thereby shall have the right to present evidence,
8 examine and cross-examine witnesses and offer oral and written
9 arguments and, in connection therewith, shall be entitled to
10 conduct discovery proceedings in the same manner as is
11 presently allowed in the circuit courts of this state. All
12 discovery proceedings shall be concluded not later than three
13 days prior to the commencement of the public hearing.

14 "(3) If the proposed acquisition of control will
15 require the approval of more than one commissioner, the public
16 hearing referred to in subdivision (2) may be held on a
17 consolidated basis upon request of the person filing the
18 statement referred to in subsection (a). The person shall file
19 the statement referred to in subsection (a) with the ~~National~~
20 ~~Association of Insurance Commissioners~~ NAIC within five days
21 of making the request for a public hearing. A commissioner may
22 opt out of a consolidated hearing, and shall provide notice to
23 the applicant of the opt-out within 10 days of the receipt of
24 the statement referred to in subsection (a). A hearing
25 conducted on a consolidated basis shall be public and shall be

1 held within the United States before the commissioners of the
2 states in which the insurers are domiciled. The commissioners
3 shall hear and receive evidence. A commissioner may attend the
4 hearing in person or by telecommunication.

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

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

19 "(e) The provisions of this section shall not apply
20 to:

21 "(1) Any transaction which is subject to the
22 provisions of Sections 27-27-45 and 27-27-46, dealing with the
23 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

1 lawful attorney upon whom may be served all lawful process in
2 any action or proceeding arising out of violations of this
3 section. Copies of all such lawful process shall be served on
4 the commissioner and transmitted by registered or certified
5 mail by the commissioner to such person at his or her last
6 known address.

7 "§27-29-4.

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

15 "a. Subdivision (1) of subsection (a) of Section
16 27-29-5, and subsections (b) and (d) of Section 27-29-5.

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

23 "(2) Any insurer which is subject to registration
24 under this section shall register within 15 days after it
25 becomes subject to registration, and annually thereafter by

1 June 1 of each year for the previous calendar year, unless the
2 commissioner for good cause shown extends the time for
3 registration and, then, within such extended time. The
4 commissioner may require any authorized insurer which is a
5 member of an insurance holding company system which is not
6 subject to registration under this section to furnish a copy
7 of the registration statement, the summary specified in
8 subsection (c)1, or other information filed by such insurance
9 company with the insurance regulatory authority of domiciliary
10 jurisdiction.

11 "(b) Every insurer subject to registration shall
12 file a registration statement on a form prescribed by the
13 commissioner by rule which shall contain the following current
14 information:

15 "(1) The capital structure, general financial
16 condition, ownership, and management of the insurer and any
17 person controlling the insurer.

18 "(2) The identity of every member of the insurance
19 holding company system.

20 "(3) The following agreements in force, and
21 transactions currently outstanding or which have occurred
22 during the last calendar year between such insurer and its
23 affiliates:

1 "a. Loans, other investments or purchases, sales or
2 exchanges of securities of the affiliates by the insurer or of
3 the insurer by its affiliates.

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

5 "c. Transactions not in the ordinary course of
6 business.

7 "d. Guarantees or undertakings for the benefit of an
8 affiliate which result in an actual contingent exposure of the
9 insurer's assets to liability, other than insurance contracts
10 entered into in the ordinary course of the insurer's business.

11 "e. All management agreements and service contracts
12 and all cost-sharing arrangements.

13 "f. Reinsurance agreements.

14 "g. Dividends and other distributions to
15 shareholders.

16 "h. Consolidated tax allocation agreements.

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

20 "(5) If requested by the commissioner, financial
21 statements of or within an insurance holding company system,
22 including all affiliates. Financial statements may include,
23 but are not limited to, annual audited financial statements
24 filed with the U.S. Securities and Exchange Commission
25 pursuant to the Securities Act of 1933, as amended, or the

1 Securities Exchange Act of 1934, as amended. An insurer
2 required to file financial statements pursuant to this
3 subdivision may satisfy the request by providing the
4 commissioner with the most recently filed parent corporation
5 financial statements that have been filed with the Securities
6 Exchange Commission. Financial statements of insurer's
7 affiliates required to be filed with the commissioner may be
8 filed by the insurer in the accounting standard utilized by
9 the affiliate in its usual course of business at the time of
10 the filing.

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

15 "(7) Statements that the insurer's board of
16 directors or an appropriate committee of the board oversees
17 corporate governance and internal controls and that the
18 insurer's officers or senior management have approved,
19 implemented, and continue to maintain and monitor corporate
20 governance and internal control procedures.

21 "(8) Any other information required by the
22 commissioner by rule.

23 "(c) All registration statements shall contain a
24 summary outlining all items in the current registration

1 statement representing changes from the prior registration
2 statement.

3 "(d) No information need be disclosed on the
4 registration statement filed pursuant to subsection (b) if
5 such information is not material for the purposes of this
6 section. Unless the commissioner by rule, regulation, or order
7 provides otherwise, sales, purchases, exchanges, loans, or
8 extensions of credit or investments involving one-half of one
9 percent or less of an insurer's admitted assets as of December
10 31, next preceding, shall not be deemed material for purposes
11 of this section. The definition of materiality provided in
12 this subsection shall not apply for purposes of the Group
13 Capital Calculation or the Liquidity Stress Test Framework.

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

18 "(f) Any person within an insurance holding company
19 system subject to registration shall be required to provide
20 complete and accurate information to an insurer, where the
21 information is reasonably necessary to enable the insurer to
22 comply with the provisions of this chapter.

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

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

4 "(i) The commissioner may allow an insurer which is
5 authorized to do business in this state and which is part of
6 an insurance holding company system to register on behalf of
7 any affiliated insurer which is required to register under
8 subsection (a) and to file all information and material
9 required to be filed under this section.

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

14 "(k) Any person may file with the commissioner a
15 disclaimer of affiliation with any authorized insurer or a
16 disclaimer may be filed by the insurer or any member of an
17 insurance holding company system. The disclaimer shall fully
18 disclose all material relationships and bases for affiliation
19 between the person and the insurer, as well as the basis for
20 disclaiming such affiliation. A disclaimer of affiliation
21 shall be deemed to have been granted unless the commissioner,
22 within 30 days following receipt of a complete disclaimer,
23 notifies the filing party the disclaimer is disallowed. In the
24 event of disallowance, the disclaiming party may request an
25 administrative hearing, which shall be granted. The

1 disclaiming party shall be relieved of its duty to register
2 under this section if approval of the disclaimer has been
3 granted by the commissioner, or if the disclaimer is deemed to
4 have been approved.

5 "(1) Enterprise Risk Filings.

6 "(1) Enterprise Risk Report. The ultimate
7 controlling person of every insurer subject to registration
8 shall also file an annual enterprise risk report. The report
9 shall, to the best of the ultimate controlling person's
10 knowledge and belief, identify the material risks within the
11 insurance holding company system that could pose enterprise
12 risk to the insurer. The report shall be filed with the lead
13 state commissioner of the insurance holding company system as
14 determined by the procedures within the Financial Analysis
15 Handbook adopted by the ~~National Association of Insurance~~
16 ~~Commissioners~~ NAIC.

17 "(2) Group Capital Calculation. Except as provided
18 in this subdivision, the ultimate controlling person of every
19 insurer subject to registration shall concurrently file with
20 the registration an annual group capital calculation as
21 directed by the lead state commissioner. The report shall be
22 completed in accordance with the NAIC Group Capital
23 Calculation Instructions, which may permit the lead state
24 commissioner to allow a controlling person that is not the
25 ultimate controlling person to file the group capital

1 calculation. The report shall be filed with the lead state
2 commissioner of the insurance holding company system as
3 determined by the commissioner in accordance with the
4 procedures within the Financial Analysis Handbook adopted by
5 the NAIC. The following insurance holding company systems
6 described are exempt from filing the group capital
7 calculation:

8 "a. An insurance holding company system that has
9 only one insurer within its holding company structure, that
10 only writes business and is only licensed in its domestic
11 state, and assumes no business from any other insurer.

12 "b. An insurance holding company system that is
13 required to perform a group capital calculation specified by
14 the United States Federal Reserve Board. The lead state
15 commissioner shall request the calculation from the Federal
16 Reserve Board under the terms of information sharing
17 agreements in effect. If the Federal Reserve Board cannot
18 share the calculation with the lead state commissioner, the
19 insurance holding company system is not exempt from the group
20 capital calculation filing.

21 "c. An insurance holding company system whose
22 non-U.S. group-wide supervisor is located within a Reciprocal
23 Jurisdiction as described in Section 27-5B-8.1, as added to
24 the Code of Alabama 1975, by Act 2021-235, 2021 Regular

1 Session, which recognizes the U.S. state regulatory approach
2 to group supervision and group capital.

3 "d. An insurance holding company system meeting both
4 of the following:

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

12 2. Whose non-U.S. group-wide supervisor that is not
13 in a Reciprocal Jurisdiction recognizes and accepts, as
14 specified by the commissioner in regulation, the group capital
15 calculation as the world-wide group capital assessment for
16 U.S. insurance groups who operate in that jurisdiction.

17 "e. Notwithstanding the provisions of paragraphs c.
18 and d., a lead state commissioner shall require the group
19 capital calculation for U.S. operations of any non-U.S. based
20 insurance holding company system when, after any necessary
21 consultation with other supervisors or officials, the lead
22 state commissioner deems it appropriate for prudential
23 oversight and solvency monitoring purposes or for ensuring the
24 competitiveness of the insurance marketplace.

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

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

16 "(3) Liquidity Stress Test.

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

24 "b. The NAIC Liquidity Stress Test Framework
25 includes scope criteria applicable to a specific data year.

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

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

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

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

23 "(3) For purposes of the information reported and
24 provided to the commissioner pursuant to subdivision (3) of
25 subsection (1) of Section 27-29-4, the commissioner shall

1 maintain the confidentiality of the liquidity stress test
2 results and supporting disclosures and any liquidity stress
3 test information received from an insurance holding company
4 supervised by the Federal Reserve Board and any non-U.S.
5 group-wide supervisors.

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

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

16 "(1) May share documents, materials, or other
17 information, including the confidential and privileged
18 documents, materials, or information subject to subsection
19 (a), including proprietary and trade secret documents and
20 materials, with other state, federal, and international
21 regulatory agencies, with the ~~National Association of~~
22 ~~Insurance Commissioners~~ NAIC, with any third-party consultants
23 designated by the commissioner to perform examination or
24 actuarial functions, ~~and its affiliates and subsidiaries,~~ and
25 with state, federal, and international law enforcement

1 authorities, including members of any supervisory college
2 described in Section 27-29-6.1, provided that the recipient
3 agrees in writing to maintain the confidentiality and
4 privileged status of the document, material, or other
5 information, and has verified in writing the legal authority
6 to maintain confidentiality.

7 "(2) Notwithstanding subdivision (1) above, may
8 share confidential and privileged documents, material, or
9 information reported pursuant to subsection (1) of Section
10 27-29-4 only with commissioners of states having statutes or
11 regulations substantially similar to subsection (a) and who
12 have agreed in writing not to disclose such information.

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

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

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

19 "b. Specify that ownership of information shared
20 with the ~~National Association of Insurance Commissioners~~ NAIC
21 or a third-party consultant and its affiliates and
22 subsidiaries pursuant to this chapter remains with the
23 commissioner and the use of the information by the ~~National~~
24 ~~Association of Insurance Commissioners~~ NAIC or a third-party
25 consultant as designated by the commissioner to perform

1 examination or actuarial functions is subject to the direction
2 of the commissioner.

3 "c. Require at least 10 days' notice to be given to
4 an insurer whose confidential information in the possession of
5 ~~the National Association of Insurance Commissioners~~ NAIC or a
6 third-party consultant designated by the commissioner pursuant
7 to this chapter is subject to a request or subpoena to the
8 ~~National Association of Insurance Commissioners~~ NAIC or a
9 third-party consultant designated by the commissioner for
10 disclosure or production.

11 "d. Require the ~~National Association of Insurance~~
12 ~~Commissioners and its affiliates and subsidiaries~~ NAIC or a
13 third-party consultant designated by the commissioner to
14 perform examination or actuarial functions to consent to
15 intervention by an insurer in any judicial or administrative
16 action in which the ~~National Association of Insurance~~
17 ~~Commissioners and its affiliates and subsidiaries~~ NAIC or a
18 third-party consultant designated by the commissioner may be
19 required to disclose confidential information about the
20 insurer shared with the ~~National Association of Insurance~~
21 ~~Commissioners and its affiliates and subsidiaries~~ NAIC or a
22 third-party consultant designated by the commissioner pursuant
23 to this chapter.

24 "e. Excluding documents, materials, or other
25 information reported pursuant to subdivision (3) of subsection

1 (1) of Section 27-29-4, prohibit the NAIC or a third-party
2 consultant designated by the commissioner to perform
3 examination or actuarial functions from storing the
4 information shared pursuant to this chapter in a permanent
5 database after the underlying analysis is completed.

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

11 "(d) The sharing of information by the commissioner
12 pursuant to this chapter shall not constitute a delegation of
13 regulatory authority or rulemaking, and the commissioner is
14 solely responsible for the administration, execution, and
15 enforcement of this chapter.

16 "(e) No waiver of any applicable privilege or claim
17 of confidentiality in the documents, materials, or information
18 shall occur as a result of disclosure to the commissioner
19 under this section or as a result of sharing as authorized in
20 subsection (c).

21 "(f) Documents, materials, or other information in
22 the possession or control of the ~~National Association of~~
23 ~~Insurance Commissioners~~ NAIC or a third-party consultant
24 designated by the commissioner pursuant to this chapter shall
25 be confidential by law and privileged, shall not be subject to

1 open records, freedom of information, sunshine or other public
2 records disclosure laws, shall not be subject to subpoena, and
3 shall not be subject to discovery or admissible in evidence in
4 any private civil action.

5 "(g) The group capital calculation and resulting
6 group capital ratio required under subdivision (2) of
7 subsection (1) of Section 27-29-4 and the liquidity stress
8 test along with its results and supporting disclosures
9 required under subdivision (3) of subsection (1) of Section
10 27-29-4 are regulatory tools for assessing group risks and
11 capital adequacy and group liquidity risks, respectively, and
12 are not intended as a means to rank insurers or insurance
13 holding company systems generally. Therefore, except as
14 otherwise may be required under the provisions of this
15 chapter, the making, publishing, disseminating, circulating,
16 or placing before the public, or causing directly or
17 indirectly to be made, published, disseminated, circulated, or
18 placed before the public in a newspaper, magazine, or other
19 publication, or in the form of a notice, circular, pamphlet,
20 letter, or poster, or over any radio or television station, or
21 any electronic means of communication available to the public,
22 or in any other way as an advertisement, announcement, or
23 statement containing a representation or statement with regard
24 to the group capital calculation, group capital ratio, the
25 liquidity stress test result, or supporting disclosures for

1 the liquidity stress test of any insurer or any insurer group,
2 or of any component derived in the calculation by any insurer,
3 broker, or other person engaged in any manner in the insurance
4 business would be misleading and is therefore prohibited;
5 provided, however, that if any materially false statement with
6 respect to the group capital calculation, resulting group
7 capital ratio, an inappropriate comparison of any amount to an
8 insurer's or insurance group's group capital calculation or
9 resulting group capital ratio, liquidity stress test result,
10 supporting disclosures for the liquidity stress test, or an
11 inappropriate comparison of any amount to an insurer's or
12 insurance group's liquidity stress test result or supporting
13 disclosures is published in any written publication and the
14 insurer is able to demonstrate to the commissioner with
15 substantial proof the falsity of such statement or the
16 inappropriateness, as the case may be, then the insurer may
17 publish announcements in a written publication if the sole
18 purpose of the announcement is to rebut the materially false
19 statement.

20 Section 3. Section 27-36A-20 of the Code of Alabama
21 1975, is amended to read as follows:

22 "§27-36A-20.

23 "(a) A company calculating reserves under this
24 section shall calculate reserves for ~~ordinary~~ life insurance,
25 accident and health insurance contracts, credit life

1 contracts, group life contracts, annuities, or deposit-type
 2 contracts in this state as if the policies were issued before
 3 the operative date of the ~~valuation manual~~ Valuation Manual.
 4 For policies issued on or after the operative date of the
 5 ~~valuation manual~~ Valuation Manual, ~~any mortality and interest~~
 6 ~~rates~~ applicable actuarial assumptions defined by the
 7 ~~valuation manual~~ Valuation Manual for ~~net premium~~ reserves
 8 shall be used. A company calculating reserves under this
 9 section shall comply with ~~Section 27-36A-4(a) instead of~~
 10 Section 27-36A-4(b) and ~~meet all,~~ if it meets at least one of
 11 ~~the following~~ conditions: set forth in subdivisions (1) or
 12 (2), may file a statement of exemption for individual life
 13 insurance policies and certificates, except for those policies
 14 identified in subsection (c) issued directly or assumed during
 15 the current calendar year that would otherwise be subject to
 16 Chapter 20 of the Valuation Manual, a statement of exemption
 17 is not required.

18 "(1) The company has less than three hundred million
 19 dollars (\$300,000,000) of ~~ordinary life exemption~~ premium.
 20 ~~and, (2) If if~~ if the company is a member of a group ~~of that~~
 21 includes other ~~life insurers~~ insurance companies, the group
 22 has combined ~~ordinary life exemption~~ premium of less than six
 23 hundred million dollars (\$600,000,000).

24 ~~"(3) (2) A universal life policy with a secondary~~
 25 ~~guarantee issued after the operative date of the valuation~~

1 ~~manual meets the definition of a non-material secondary~~
2 ~~guarantee universal life product as defined in the valuation~~
3 ~~manual. The only new policies that would otherwise be subject~~
4 ~~to Chapter 20 of the Valuation Manual being issued or assumed~~
5 ~~by the company are due to election of policy benefits or~~
6 ~~features from existing policies valued under Appendix A and~~
7 ~~Appendix C of the Valuation Manual and the company was~~
8 ~~exempted from, or otherwise not subject to, the requirements~~
9 ~~of Chapter 20 of the Valuation Manual in the policy year.~~

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

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

15 "(2) The portion of the amount in the prior calendar
16 year life/health annual statement, Exhibit 1, Part 1, Column 3
17 (Ordinary Life Insurance), line 20.2 assumed from unaffiliated
18 companies; minus

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

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

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

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

7 "(1) Universal Life with Secondary Guarantee (ULSG)
8 policies.

9 "(2) Policies other than ULSG policies that contain
10 a rider with a secondary guarantee, in which the secondary
11 guarantee does not meet the Valuation Manual definition of a
12 nonmaterial secondary guarantee.

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

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

21 ~~"(d) (e)~~ (e) 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~~ at least one of the conditions of
25 subdivisions (1) or (2) of subsection (a) is are met for the

1 ~~current calendar year based on premiums and other values from~~
2 ~~the prior financial statements.~~ The commissioner may reject
3 the statement prior to September 1 if the commissioner
4 specifically identifies risk in the affected policies that
5 requires a principle-based valuation and require the company
6 to comply with the ~~valuation manual~~ Valuation Manual
7 requirements.

8 "(f) If a filed statement of exemption is not
9 rejected by the commissioner, the filing of subsequent
10 statements of exemption is not required if the company
11 continues to qualify for the exemption. Ongoing statements of
12 exemption for each new calendar year shall not be deemed to be
13 rejected, unless both of the following apply:

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

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

18 "(g) If an ongoing statement of exemption is
19 rejected, the statement of exemption for the current calendar
20 year is deemed rejected and a new statement of exemption must
21 be filed and not rejected in order for the company to exempt
22 additional policies.

23 "(h) The minimum reserve requirements for life
24 insurance, accident and health insurance contracts, credit
25 life contracts, group life contracts, annuities, or

1 deposit-type contracts issued on or after the operative date
2 of the Valuation Manual for a company calculating reserves
3 under this section are those pursuant to applicable
4 requirements in Appendix A and Appendix C of the Valuation
5 Manual using the mortality as defined in Section 3.C.1 of
6 Chapter 20 and Appendix M of the Valuation Manual.

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

13 Section 4. This act shall become effective
14 immediately following its passage and approval by the
15 Governor, or its otherwise becoming law.

