

1 SB136
2 209529-1
3 By Senator Shelnutt
4 RFD: Banking and 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.