

1 SB136
2 209529-2
3 By Senator Shelnutt
4 RFD: Banking and Insurance
5 First Read: 02-FEB-21

1 SB136

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4 ENROLLED, An Act,

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

11 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

12 Section 1. Section 27-36A-20 of the Code of Alabama
13 1975, is amended to read as follows:

14 "§27-36A-20.

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

1 27-36A-4(a) instead of Section 27-36A-4(b) and meet all of the
2 following conditions:

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

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

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

11 ~~"(4) The appointed actuary has provided an
12 unqualified opinion on the reserves in accordance with Section
13 27-36A-4 for the prior calendar year.~~

14 ~~"(5) (3) The company has provided a certification by
15 a qualified actuary that any A universal life policy with a
16 secondary guarantee issued after the operative date of the
17 valuation manual meets the definition of a non-material
18 secondary guarantee universal life product as defined in the
19 valuation manual.~~

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

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

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

3 "~~(c)~~ (d) 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 conditions are met for the current
7 calendar year based on premiums and other values from the
8 prior financial statements. The commissioner may reject the
9 statement prior to September 1 if the commissioner
10 specifically identifies risk in the affected policies that
11 requires a principle-based valuation and require the company
12 to comply with the valuation manual requirements.

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

19 Section 2. This act shall become effective
20 immediately following its passage and approval by the
21 Governor, or its otherwise becoming law.

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President and Presiding Officer of the Senate

Speaker of the House of Representatives

SB136

Senate 25-FEB-21

I hereby certify that the within Act originated in and passed the Senate.

Patrick Harris,
Secretary.

House of Representatives
Passed: 29-APR-21

By: Senator Shelnutt