

1 SB166
2 216113-1
3 By Senator Shelnutt
4 RFD: Banking and Insurance
5 First Read: 02-FEB-22

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8 SYNOPSIS: Under existing law, the standard
9 nonforfeiture law for individual deferred annuities
10 requires a minimum interest rate on individual
11 deferred annuities of one percent.

12 This bill would set the minimum interest
13 rate for individual deferred annuities at 15 basis
14 points (0.15%).

15 This bill would exempt contingent deferred
16 annuities from the standard nonforfeiture law for
17 individual deferred annuities and authorize the
18 Commissioner of Insurance to prescribe by rule the
19 nonforfeiture benefits for contingent deferred
20 annuities.

21 Under existing law, the Commissioner of
22 Insurance regulates insurance holding company
23 systems pursuant to the Insurance Holding Company
24 System Regulatory Act. The members of an insurance
25 holding company system are required to meet certain
26 capital and liquidity requirements to protect the
27 solvency of the insurers within the holding

1 company. Based on reporting to the commissioner,
2 the commissioner performs group analysis of an
3 insurance holding company, but without the benefit
4 of a consolidated statutory accounting system and
5 financial statements.

6 This bill would provide for a group capital
7 calculation and related reporting requirements to
8 the Commissioner of Insurance regarding an
9 insurance holding company. The group capital
10 calculation would include a group capital ratio.

11 This bill would further provide for a
12 liquidity stress test of an insurance holding
13 company. The ultimate controlling person of every
14 insurer subject to holding company registration, if
15 determined to meet certain conditions, would be
16 required to file the results of a specific year's
17 liquidity stress test to the lead state insurance
18 commissioner to assist in the group regulation of
19 the insurance holding company.

20 This bill would further provide for the
21 confidentiality of information in the possession of
22 the Commissioner of Insurance and third party
23 consultants designated by the commissioner relating
24 to insurance holding company regulation and would
25 include the group capital calculation and resulting
26 group capital ratio and the liquidity stress test
27 and its results and supporting documentation as

1 filed with the commissioner within the
2 confidentiality provisions.

3 Also under existing law, the Standard
4 Valuation Law requires the Commissioner of
5 Insurance to annually value the reserves for
6 outstanding life insurance policies and annuity and
7 endowment contracts of life insurance companies
8 doing business in this state. The law provides for
9 an alternative valuation for small companies that
10 meet certain conditions, including certain dollar
11 figures of premiums.

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

17
18 A BILL
19 TO BE ENTITLED
20 AN ACT
21

22 Relating to insurance; to amend Section 27-15-28.2,
23 Code of Alabama 1975, relating to the standard nonforfeiture
24 law for individual deferred annuities, to decrease the minimum
25 interest rate to 15 basis points (0.15%); and to exempt
26 contingent deferred annuities from the standard nonforfeiture
27 law and to authorize the Commissioner of Insurance to adopt by

1 rule the nonforfeiture benefits for contingent deferred
2 annuities; to amend Sections 27-29-1, 27-29-3, 27-29-4, and
3 27-29-7 of the Code of Alabama 1975, to revise the Alabama
4 Insurance Holding Company System Regulatory Act and the
5 regulation of insurance holding company systems by the
6 Commissioner of Insurance; to provide for a group capital
7 calculation and a liquidity stress test within the insurance
8 holding company system; to further provide for the
9 confidentiality of information in the possession of the
10 Commissioner of Insurance and third party consultants
11 designated by the commissioner relating to insurance holding
12 company regulation and would include the group capital
13 calculation and resulting group capital ratio and for the
14 liquidity stress test and its results and supporting
15 documentation as filed with the commissioner within the
16 confidentiality provisions; and to amend Section 27-36A-20,
17 Code of Alabama 1975, as amended by Act 2021-397, 2021 Regular
18 Session, the Standard Valuation Law, which requires the
19 Commissioner of Insurance to annually value the reserves for
20 outstanding life insurance policies and other contracts of
21 life insurance companies doing business in this state; and to
22 revise the small company alternative valuation provisions.

23 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

24 Section 1. Section 27-15-28.2 of the Code of Alabama
25 1975, is amended to read as follows:

26 "§27-15-28.2.

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

3 "(b) (1) This section shall not apply to any
4 reinsurance group annuity purchased under a retirement plan or
5 plan of deferred compensation established or maintained by an
6 employer (including a partnership or sole proprietorship) or
7 by an employee organization, or by both, other than a plan
8 providing individual retirement accounts or individual
9 retirement annuities under Section 408 of the Internal Revenue
10 Code, as now or hereafter amended, premium deposit fund,
11 variable annuity, investment annuity, immediate annuity, any
12 deferred annuity contract after annuity payments have
13 commenced or reversionary annuity, nor to any contract which
14 shall be delivered outside this state through an agent or
15 other representative of the company issuing the contract.

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

18 "(3) Notwithstanding subdivision (2), the
19 commissioner may adopt by rule nonforfeiture benefits for
20 contingent deferred annuities that, in the opinion of the
21 commissioner, are equitable to the policy holder, appropriate
22 given the risks insured, and to the extent possible,
23 consistent with the general intent of this section.

24 "(c) (1) In the case of contracts issued on or after
25 the operative date of this section as defined in subsection
26 (1) no contract of annuity, except as stated in subsection
27 (b), shall be delivered or issued for delivery in this state

1 unless it contains in substance the following provisions, or
2 corresponding provisions which in the opinion of the
3 commissioner are at least as favorable to the contract holder,
4 upon cessation of payment of considerations under the
5 contract:

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

11 "b. If a contract provides for a lump sum settlement
12 at maturity, or at any other time, that upon surrender of the
13 contract at or prior to the commencement of any annuity
14 payments, the company shall pay in lieu of any paid-up annuity
15 benefit a cash surrender benefit of such amount as is
16 specified in subsections (e), (f), (h), and (j). The company
17 may reserve the right to defer the payment of such cash
18 surrender benefit for a period not to exceed six months after
19 demand therefor with surrender of the contract after making
20 written request and receiving written approval of the
21 commissioner. The request shall address the necessity and
22 equitability to all policyholders of the deferral.

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

1 "d. A statement that any paid-up annuity, cash
2 surrender or death benefits that may be available under the
3 contract are not less than the minimum benefits required by
4 any statute of the state in which the contract is delivered
5 and an explanation of the manner in which such benefits are
6 altered by the existence of any additional amounts credited by
7 the company to the contract, any indebtedness to the company
8 on the contract or any prior withdrawals from or partial
9 surrenders of the contract.

10 "(2) Notwithstanding the requirements of this
11 section, any deferred annuity contract may provide that if no
12 considerations have been received under a contract for a
13 period of two full years and the portion of the paid-up
14 annuity benefit at maturity on the plan stipulated in the
15 contract arising from considerations paid prior to such period
16 would be less than twenty dollars (\$20) monthly, the company
17 may at its option terminate such contract by payment in cash
18 of the then present value of such portion of the paid-up
19 annuity benefit, calculated on the basis of the mortality
20 table, if any, and interest rate specified in the contract for
21 determining the paid-up annuity benefit, and by such payment
22 shall be relieved of any further obligation under such
23 contract.

24 "(d) The minimum values as specified in subsections
25 (e), (f), (g), (h), and (j) of any paid-up annuity, cash
26 surrender or death benefits available under an annuity

1 contract shall be based upon minimum nonforfeiture amounts as
2 defined in this subsection.

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

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

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

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

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

20 "b. The net consideration for a given contract year
21 used to define the minimum nonforfeiture amount shall be an
22 amount equal to eighty-seven and one-half percent (87.5%) of
23 the gross considerations credited to the contract during that
24 contract year.

25 "(2) The interest rate used in determining minimum
26 nonforfeiture amounts shall be an annual rate of interest
27 determined as the lesser of three percent per annum and the

1 following, which shall be specified in the contract if the
2 interest rate will be reset:

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

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

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

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

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

1 reduction does not exceed the market value of the benefit.
2 Lacking such a demonstration that is acceptable to the
3 commissioner, the commissioner may disallow or limit the
4 additional reduction.

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

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

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

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

10 "(g) For contracts which do not provide cash
11 surrender benefits, the present value of any paid-up annuity
12 benefit available as a nonforfeiture option at any time prior
13 to maturity shall not be less than the present value of that
14 portion of the maturity value of the paid-up annuity benefit
15 provided under the contract arising from considerations paid
16 prior to the time the contract is surrendered in exchange for,
17 or changed to, a deferred paid-up annuity, such present value
18 being calculated for the period prior to the maturity date on
19 the basis of the interest rate specified in the contract for
20 accumulating the net considerations to determine such maturity
21 value, and increased by any existing additional amounts
22 credited by the company to the contract. For contracts which
23 do not provide any death benefits prior to the commencement of
24 any annuity payments, such present values shall be calculated
25 on the basis of such interest rate and mortality table
26 specified in the contract for determining the maturity value
27 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.

25 "(k) For any contract which provides, within the
26 same contract by rider or supplemental contract provisions,
27 both annuity benefits and life insurance benefits that are in

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

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

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

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

4 "§27-29-1.

5 "For purposes of this chapter, unless otherwise
6 stated, the following terms shall have the meanings
7 respectively ascribed to them by this section:

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

13 "(2) COMMISSIONER. The Commissioner of Insurance,
14 his or her deputies, or the Insurance Department as
15 appropriate.

16 "(3) CONTROL. The term shall include controlling,
17 controlled by, or under common control with and shall mean the
18 possession, direct or indirect, of the power to direct or
19 cause the direction of the management and policies of a
20 person, whether through the ownership of voting securities, by
21 contract other than a commercial contract for goods or
22 nonmanagement services, or otherwise, unless the power is the
23 result of an official position with or corporate office held
24 by the person. Control shall be presumed to exist if any
25 person, directly or indirectly, owns, controls, holds with the
26 power to vote, or holds proxies representing five percent or
27 more of the voting securities of any other person. This

1 presumption may be rebutted by a showing made in the manner
2 provided by subsection (k) of Section 27-29-4 that control
3 does not exist in fact. The commissioner may determine, after
4 furnishing all persons in interest notice and opportunity to
5 be heard and making a specific finding of fact to support such
6 determination, that control exists in fact, notwithstanding
7 the absence of a presumption to that effect.

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

17 "(5) GROUP-WIDE SUPERVISOR. The regulatory official
18 authorized to engage in conducting and coordinating group-wide
19 supervision activities who is determined or acknowledged by
20 the commissioner under this chapter to have sufficient
21 significant contacts with the internationally active insurance
22 group.

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

1 "~~(6)~~ (7) INSURANCE HOLDING COMPANY SYSTEM. A system
2 which consists of two or more affiliated persons, one or more
3 of which is an insurer.

4 "~~(7)~~ (8) INSURER. An insurance company as set forth
5 in Section 27-1-2, including, without limitation, any
6 fraternal benefit society, health care service plan, and
7 health maintenance organization, except that it shall not
8 include agencies, authorities, or instrumentalities of the
9 United States, its possessions and territories, the
10 Commonwealth of Puerto Rico, the District of Columbia, or a
11 state or political subdivision of a state.

12 "~~(8)~~ (9) INTERNATIONALLY ACTIVE INSURANCE GROUP. An
13 insurance holding company system that includes an insurer
14 registered under Section 27-29-4 that meets all of the
15 following criteria:

16 "a. Premiums are written in at least three
17 countries.

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

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

1 "(10) NATIONAL ASSOCIATION OF INSURANCE
2 COMMISSIONERS OR NAIC. The National Association of Insurance
3 Commissioners.

4 "(11) NAIC LIQUIDITY STRESS TEST FRAMEWORK. A
5 separate NAIC publication which includes a history of the
6 NAIC's development of regulatory liquidity stress testing, the
7 scope criteria applicable for a specific data year, and the
8 liquidity stress test instructions and reporting templates for
9 a specific data year, the scope criteria, instructions, and
10 reporting template as adopted and amended by the NAIC, from
11 time to time, in accordance with the procedures adopted by the
12 NAIC.

13 "~~(9)~~ (12) PERSON. An individual, a corporation, a
14 limited liability company, a partnership, an association, a
15 joint-stock company, a trust, an unincorporated organization,
16 or any similar entity or any combination of the foregoing
17 acting in concert, but shall not include any joint venture
18 partnership exclusively engaged in owning, managing, leasing,
19 or developing real or tangible personal property.

20 "(13) SCOPE CRITERIA. As detailed in the NAIC
21 Liquidity Stress Test Framework, the designated exposure bases
22 along with minimum magnitudes thereof for the specified data
23 year, used to establish a preliminary list of insurers
24 considered scoped into the NAIC Liquidity Stress Test
25 Framework for that data year.

26 "~~(10)~~ (14) SECURITYHOLDER. One who owns any security
27 of such person, including common stock, preferred stock, debt

1 obligations, and other security convertible into, or
2 evidencing, the right to acquire any of the foregoing.

3 ~~"(11)~~ (15) SUBSIDIARY. An affiliate controlled by
4 such person, directly or indirectly, through one or more
5 intermediaries.

6 ~~"(12)~~ (16) VOTING SECURITY. The term shall include
7 any security convertible into, or evidencing, a right to
8 acquire a voting security.

9 "§27-29-3.

10 "(a) (1) No person other than the issuer shall make a
11 tender offer for or a request or invitation for tenders of, or
12 enter into any agreement to exchange securities for, seek to
13 acquire, or acquire in the open market any voting security of
14 a domestic insurer if, after the consummation thereof, such
15 person would, directly or indirectly, or by conversion or by
16 exercise of any right to acquire, be in control of such
17 insurer, and no person shall enter into an agreement to merge
18 with or otherwise to acquire control of a domestic insurer, or
19 any person controlling a domestic insurer unless, at the time
20 any such offer, request, or invitation is made or any such
21 agreement is entered into, or prior to the acquisition of such
22 securities if no offer or agreement is involved such person
23 has filed with the commissioner and has sent to such insurer a
24 statement containing the information required by this section
25 and such offer, request, invitation, agreement, or acquisition
26 has been approved by the commissioner in the manner prescribed
27 in this section.

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

16 "(3) With respect to a transaction subject to this
17 section, the acquiring person must also file a pre-acquisition
18 notification with the commissioner, which shall contain the
19 information set forth in subdivision (1) of subsection (c) of
20 Section 27-29-3.1. A failure to file the notification may be
21 subject to penalty specified in subdivision of (3) of
22 subsection (e) of Section 27-29-3.1.

23 "(4) For purposes of this section:

24 "a. A domestic insurer includes any person
25 controlling a domestic insurer unless the person, as
26 determined by the commissioner, is either directly or through

1 its affiliates primarily engaged in business other than the
2 business of insurance.

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

7 "(b) (1) The statement to be filed with the
8 commissioner under this section shall be made under oath or
9 affirmation and shall contain all of the following
10 information:

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

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

19 "2. If the person is not an individual, a report of
20 the nature of its business operations during the past five
21 years or for the lesser period as such person and any
22 predecessors thereof shall have been in existence; an
23 informative description of the business intended to be done by
24 the person and the person's subsidiaries; and a list of all
25 individuals who are, or who have been selected to become,
26 directors or executive officers of the person or who perform,
27 or will perform, functions appropriate to the positions. The

1 list shall include for each individual the information
2 required by subparagraph 1.

3 "b. The source, nature, and amount of the
4 consideration used, or to be used, in effecting the merger or
5 other acquisition of control, a description of any transaction
6 wherein funds were, or are to be, obtained for any such
7 purpose, including any pledge of the insurer's stock, or the
8 stock of any of its subsidiaries or controlling affiliates,
9 and the identity of persons furnishing such consideration;
10 provided, however, that where a source of such consideration
11 is a loan made in the lender's ordinary course of business,
12 the identity of the lender shall remain confidential if the
13 person filing such statement so requests.

14 "c. Fully audited financial information as to the
15 earnings and financial condition of each acquiring party for
16 the preceding five fiscal years of each such acquiring party,
17 or for such lesser period as such acquiring party and any
18 predecessors thereof shall have been in existence, and similar
19 unaudited information as of a date not earlier than 90 days
20 prior to the filing of the statement.

21 "d. Any plans or proposals which each acquiring
22 party may have to liquidate such insurer, to sell its assets,
23 or to merge or consolidate it with any person or to make any
24 other material change in its business or corporate structure
25 or management.

26 "e. The number of shares of any security referred to
27 in subsection (a) which each acquiring party proposes to

1 acquire, the terms of the offer, request, invitation,
2 agreement, or acquisition referred to in subsection (a), and a
3 statement as to the method by which the fairness of the
4 proposal was arrived at.

5 "f. The amount of each class of any security
6 referred to in subsection (a) which is beneficially owned or
7 concerning which there is a right to acquire beneficial
8 ownership by each acquiring party.

9 "g. A full description of any contracts,
10 arrangements, or understandings with respect to any security
11 referred to in subsection (a) in which any acquiring party is
12 involved, including, but not limited to, transfer of any of
13 the securities, joint ventures, loan or option arrangements,
14 puts or calls, guarantees of loans, guarantees against loss or
15 guarantees of profits, division of losses or profits, or the
16 giving or withholding of proxies. Such description shall
17 identify the persons with whom such contracts, arrangements,
18 or understandings have been entered.

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

24 "i. A description of any recommendations to purchase
25 any security referred to in subsection (a) made during the 12
26 calendar months preceding the filing of the statement by any

1 acquiring party or by anyone based upon interviews or at the
2 suggestion of such acquiring party.

3 "j. Copies of all tender offers for, requests or
4 invitations for tenders of, exchange offers for and agreements
5 to acquire or exchange any securities referred to in
6 subsection (a) and, if distributed, of additional soliciting
7 material relating thereto.

8 "k. The terms of any agreement, contract, or
9 understanding made with or proposed to be made with any
10 broker-dealer as to solicitation of securities referred to in
11 subsection (a) for tender and the amount of any fees,
12 commissions, or other compensation to be paid to
13 broker-dealers with regard thereto.

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

18 "m. An acknowledgement by the person required to
19 file the statement referred to in subsection (a) that the
20 person and all subsidiaries within its control in the
21 insurance holding company system will provide information to
22 the commissioner upon request as necessary to evaluate
23 enterprise risk to the insurer.

24 "n. Such additional information as the commissioner
25 may, by rule or regulation, prescribe as necessary or
26 appropriate for the protection of policyholders of the insurer
27 or in the public interest.

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

24 "(c) If any offer, request, invitation, agreement,
25 or acquisition referred to in subsection (a) is proposed to be
26 made by means of a registration statement under the Securities
27 Act of 1933, or in circumstances requiring the disclosure of

1 similar information under the Securities Exchange Act of 1934,
2 or under a state law requiring similar registration or
3 disclosure, the person required to file the statement referred
4 to in subsection (a) may utilize such documents in furnishing
5 the information called for by that statement.

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

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

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

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

23 "2. The merger or other acquisition shall not be
24 disapproved if the commissioner finds that any of the
25 situations meeting the criteria provided by subdivision (3) of
26 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
26 statement to the insurer and to such other persons as may be
27 designated by the commissioner. The commissioner shall make a

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

12 "(3) If the proposed acquisition of control will
13 require the approval of more than one commissioner, the public
14 hearing referred to in subdivision (2) may be held on a
15 consolidated basis upon request of the person filing the
16 statement referred to in subsection (a). The person shall file
17 the statement referred to in subsection (a) with the ~~National~~
18 ~~Association of Insurance Commissioners~~ NAIC within five days
19 of making the request for a public hearing. A commissioner may
20 opt out of a consolidated hearing, and shall provide notice to
21 the applicant of the opt-out within 10 days of the receipt of
22 the statement referred to in subsection (a). A hearing
23 conducted on a consolidated basis shall be public and shall be
24 held within the United States before the commissioners of the
25 states in which the insurers are domiciled. The commissioners
26 shall hear and receive evidence. A commissioner may attend the
27 hearing in person or by telecommunication.

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

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

15 "(e) The provisions of this section shall not apply
16 to:

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

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

23 "a. Not having been made or entered into for the
24 purpose and not having the effect of changing or influencing
25 the control of a domestic insurer.

26 "b. As otherwise not comprehended within the
27 purposes of this section.

1 "(f) The following shall be violations of this
2 section:

3 "(1) The failure to file any statement, amendment,
4 or other material required to be filed pursuant to subsections
5 (a) or (b).

6 "(2) The effectuation, or any attempt to effectuate,
7 an acquisition of control of, or merger with, a domestic
8 insurer unless the commissioner has given his or her approval
9 thereto.

10 "(g) The courts of this state are hereby vested with
11 jurisdiction over every person not resident, domiciled, or
12 authorized to do business in this state who files a statement
13 with the commissioner under this section and over all actions
14 involving such person arising out of violations of this
15 section, and each such person shall be deemed to have
16 performed acts equivalent to and constituting an appointment
17 by such a person of the commissioner to be his or her true and
18 lawful attorney upon whom may be served all lawful process in
19 any action or proceeding arising out of violations of this
20 section. Copies of all such lawful process shall be served on
21 the commissioner and transmitted by registered or certified
22 mail by the commissioner to such person at his or her last
23 known address.

24 "§27-29-4.

25 "(a) (1) Every insurer which is authorized to do
26 business in this state and which is a member of an insurance
27 holding company system shall register with the commissioner,

1 except a foreign insurer subject to registration requirements
2 and standards adopted by statute or regulation in the
3 jurisdiction of its domicile which are substantially similar
4 to those contained in this section and both of the following:

5 "a. Subdivision (1) of subsection (a) of Section
6 27-29-5, and subsections (b) and (d) of Section 27-29-5.

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

13 "(2) Any insurer which is subject to registration
14 under this section shall register within 15 days after it
15 becomes subject to registration, and annually thereafter by
16 June 1 of each year for the previous calendar year, unless the
17 commissioner for good cause shown extends the time for
18 registration and, then, within such extended time. The
19 commissioner may require any authorized insurer which is a
20 member of an insurance holding company system which is not
21 subject to registration under this section to furnish a copy
22 of the registration statement, the summary specified in
23 subsection (c) or other information filed by such insurance
24 company with the insurance regulatory authority of domiciliary
25 jurisdiction.

26 "(b) Every insurer subject to registration shall
27 file a registration statement on a form prescribed by the

1 commissioner by rule which shall contain the following current
2 information:

3 "(1) The capital structure, general financial
4 condition, ownership, and management of the insurer and any
5 person controlling the insurer.

6 "(2) The identity of every member of the insurance
7 holding company system.

8 "(3) The following agreements in force, and
9 transactions currently outstanding or which have occurred
10 during the last calendar year between such insurer and its
11 affiliates:

12 "a. Loans, other investments or purchases, sales or
13 exchanges of securities of the affiliates by the insurer or of
14 the insurer by its affiliates.

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

16 "c. Transactions not in the ordinary course of
17 business.

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

22 "e. All management agreements and service contracts
23 and all cost-sharing arrangements.

24 "f. Reinsurance agreements.

25 "g. Dividends and other distributions to
26 shareholders.

27 "h. Consolidated tax allocation agreements.

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

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

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

24 "(7) Statements that the insurer's board of
25 directors or an appropriate committee of the board oversees
26 corporate governance and internal controls and that the
27 insurer's officers or senior management have approved,

1 implemented, and continue to maintain and monitor corporate
2 governance and internal control procedures.

3 "(8) Any other information required by the
4 commissioner by rule.

5 "(c) All registration statements shall contain a
6 summary outlining all items in the current registration
7 statement representing changes from the prior registration
8 statement.

9 "(d) No information need be disclosed on the
10 registration statement filed pursuant to subsection (b) if
11 such information is not material for the purposes of this
12 section. Unless the commissioner by rule, regulation, or order
13 provides otherwise, sales, purchases, exchanges, loans, or
14 extensions of credit or investments involving one-half of one
15 percent or less of an insurer's admitted assets as of December
16 31, next preceding, shall not be deemed material for purposes
17 of this section. The definition of materiality provided in
18 this subsection shall not apply for purposes of the Group
19 Capital Calculation or the Liquidity Stress Test Framework.

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

24 "(f) Any person within an insurance holding company
25 system subject to registration shall be required to provide
26 complete and accurate information to an insurer, where the

1 information is reasonably necessary to enable the insurer to
2 comply with the provisions of this chapter.

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

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

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

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

19 "(k) Any person may file with the commissioner a
20 disclaimer of affiliation with any authorized insurer or a
21 disclaimer may be filed by the insurer or any member of an
22 insurance holding company system. The disclaimer shall fully
23 disclose all material relationships and bases for affiliation
24 between the person and the insurer, as well as the basis for
25 disclaiming such affiliation. A disclaimer of affiliation
26 shall be deemed to have been granted unless the commissioner,
27 within 30 days following receipt of a complete disclaimer,

1 notifies the filing party the disclaimer is disallowed. In the
2 event of disallowance, the disclaiming party may request an
3 administrative hearing, which shall be granted. The
4 disclaiming party shall be relieved of its duty to register
5 under this section if approval of the disclaimer has been
6 granted by the commissioner, or if the disclaimer is deemed to
7 have been approved.

8 "(1) Enterprise Risk Filings.

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

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

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

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

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

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

1 "d. An insurance holding company system meeting both
2 of the following:

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

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

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

23 "f. Notwithstanding the exemptions from filing the
24 group capital calculation stated in paragraphs a. through d.,
25 the lead state commissioner may exempt the ultimate
26 controlling person from filing the annual group capital
27 calculation or to accept a limited group capital filing or

1 report in accordance with criteria as specified by the
2 commissioner in regulation.

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

11 "(3) Liquidity Stress Test.

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

19 "b. The NAIC Liquidity Stress Test Framework
20 includes scope criteria applicable to a specific data year.
21 These scope criteria are reviewed at least annually by the
22 Financial Stability Task Force or its successor. Any change to
23 the NAIC Liquidity Stress Test Framework, or to the data year
24 for which the scope criteria are to be measured, shall be
25 effective on January 1 of the year following the calendar year
26 when such changes are adopted. Insurers meeting at least one
27 threshold of the scope criteria are considered scoped into the

1 NAIC Liquidity Stress Test Framework for the specified data
2 year, unless the lead state insurance commissioner, in
3 consultation with the NAIC Financial Stability Task Force or
4 its successor, determines the insurer should not be scoped
5 into the framework for that data year. Similarly, insurers
6 that do not trigger at least one threshold of the scope
7 criteria are considered scoped out of the NAIC Liquidity
8 Stress Test Framework for the specified data year, unless the
9 lead state insurance commissioner, in consultation with the
10 NAIC Financial Stability Task Force or its successor,
11 determines the insurer should be scoped into the framework for
12 that data year.

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

19 "d. The performance of, and filing of the results
20 from, a specific year's liquidity stress test shall comply
21 with the NAIC Liquidity Stress Test Framework's instructions
22 and reporting templates for that year and any lead state
23 insurance commissioner determinations, in conjunction with the
24 Financial Stability Task Force or its successor, provided
25 within the Framework.

26 "(m) The failure to file a registration statement or
27 any summary of the registration statement or enterprise risk

1 filing required by this section within the time specified for
2 filing shall be a violation of this section.

3 "§27-29-7.

4 "(a) (1) All documents, materials, or other
5 information, and copies thereof, in the possession or control
6 of the department that are obtained by or disclosed to the
7 commissioner or any other person in the course of an
8 examination or investigation made pursuant to Section 27-29-6
9 and all information reported pursuant to paragraphs l. and m.
10 of subdivision (1) of subsection (b) of Section 27-29-3,
11 Section 27-29-4, Section 27-29-5, and Section 27-29-6.2 are
12 recognized by this state as being proprietary and containing
13 trade secrets, and shall be confidential by law and
14 privileged, shall not be subject to any open records, freedom
15 of information, sunshine or other public record disclosure
16 laws, and shall not be subject to subpoena. The commissioner
17 may use the documents, materials, and other information in the
18 furtherance of any regulatory or legal action in the course of
19 the commissioner's official duties. The documents, materials,
20 and other information shall not be made public by the
21 commissioner or any other person without the prior written
22 consent of the insurer to which it pertains unless the
23 commissioner determines that the interests of policyholders,
24 shareholders, or the public will be served by the publication
25 thereof, in which event the commissioner may publish all, or
26 any part thereof, in such manner as the commissioner may deem
27 appropriate. Prior to making this determination, the

1 commissioner shall give the insurer and its affiliates who
2 would be affected thereby no less than 10 days' written notice
3 of the opportunity to request a hearing on the matter.

4 "(2) For purposes of the information reported and
5 provided to the commissioner pursuant to subdivision (2) of
6 subsection (1) of Section 27-29-4, the commissioner shall
7 maintain the confidentiality of the group capital calculation
8 and group capital ratio produced within the calculation and
9 any group capital information received from an insurance
10 holding company supervised by the Federal Reserve Board or any
11 U.S. group-wide supervisor.

12 "(3) For purposes of the information reported and
13 provided to the commissioner pursuant to subdivision (3) of
14 subsection (1) of Section 27-29-4, the commissioner shall
15 maintain the confidentiality of the liquidity stress test
16 results and supporting disclosures and any liquidity stress
17 test information received from an insurance holding company
18 supervised by the Federal Reserve Board and any non-U.S.
19 group-wide supervisors.

20 "(b) Neither the commissioner nor any person who
21 received documents, materials, or other information while
22 acting under the authority of the commissioner or with whom
23 such documents, materials, or other information are shared
24 pursuant to this chapter shall be permitted or required to
25 testify in any private civil action concerning any
26 confidential documents, materials, or information subject to
27 subsection (a).

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

3 "(1) May share documents, materials, or other
4 information, including the confidential and privileged
5 documents, materials, or information subject to subsection
6 (a), including proprietary and trade secret documents and
7 materials, with other state, federal, and international
8 regulatory agencies, with the ~~National Association of~~
9 ~~Insurance Commissioners~~ NAIC, with any third-party consultants
10 designated by the commissioner, and its affiliates and
11 ~~subsidiaries,~~ and with state, federal, and international law
12 enforcement authorities, including members of any supervisory
13 college described in Section 27-29-6.1, provided that the
14 recipient agrees in writing to maintain the confidentiality
15 and privileged status of the document, material, or other
16 information, and has verified in writing the legal authority
17 to maintain confidentiality.

18 "(2) Notwithstanding subdivision (1) above, may
19 share confidential and privileged documents, material, or
20 information reported pursuant to subsection (1) of Section
21 27-29-4 only with commissioners of states having statutes or
22 regulations substantially similar to subsection (a) and who
23 have agreed in writing not to disclose such information.

24 "(3) May receive documents, materials, or
25 information, including otherwise confidential and privileged
26 documents, materials, or information, including proprietary
27 and trade secret information from the ~~National Association of~~

1 ~~Insurance Commissioners~~ NAIC and its affiliates and
2 subsidiaries and from regulatory and law enforcement officials
3 of other foreign or domestic jurisdictions, and shall maintain
4 as confidential or privileged any document, material, or
5 information received with notice or the understanding that it
6 is confidential or privileged under the laws of the
7 jurisdiction that is the source of the document, material, or
8 information.

9 "(4) Shall enter into written agreements with the
10 ~~National Association of Insurance Commissioners~~ NAIC and any
11 third-party consultant designated by the commissioner
12 governing sharing and use of information provided pursuant to
13 this chapter consistent with this subsection that shall:

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

26 "b. Specify that ownership of information shared
27 with the ~~National Association of Insurance Commissioners~~ NAIC

1 or a third-party consultant and its affiliates and
2 subsidiaries pursuant to this chapter remains with the
3 commissioner and the use of the information by the ~~National~~
4 ~~Association of Insurance Commissioners~~ NAIC or a third-party
5 consultant as designated by the commissioner is subject to the
6 direction of the commissioner.

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

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

1 "e. Excluding documents, materials, or other
2 information reported pursuant to subdivision (3) of subsection
3 (1) of Section 27-29-4, prohibit the NAIC or a third-party
4 consultant designated by the commissioner from storing the
5 information shared pursuant to this chapter in a permanent
6 database after the underlying analysis is completed.

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

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

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

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

1 records disclosure laws, shall not be subject to subpoena, and
2 shall not be subject to discovery or admissible in evidence in
3 any private civil action.

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

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

17 Section 3. Section 27-36A-20 of the Code of Alabama
18 1975, is amended to read as follows:

19 "§27-36A-20.

20 "(a) A company calculating reserves under this
21 section shall calculate reserves for ~~ordinary~~ life insurance,
22 accident and health insurance contracts, credit life
23 contracts, group life contracts, annuities, or deposit-type
24 contracts in this state as if the policies were issued before
25 the operative date of the ~~valuation manual~~ Valuation Manual.
26 For policies issued on or after the operative date of the
27 ~~valuation manual~~ Valuation Manual, any ~~mortality and interest~~

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

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

19 "~~(3) (2) A universal life policy with a secondary~~
20 ~~guarantee issued after the operative date of the valuation~~
21 ~~manual meets the definition of a non-material secondary~~
22 ~~guarantee universal life product as defined in the valuation~~
23 ~~manual. The only new policies that would otherwise be subject~~
24 to Chapter 20 of the Valuation Manual being issued or assumed
25 by the company are due to election of policy benefits or
26 features from existing policies valued under Appendix A and
27 Appendix C of the Valuation Manual and the company was

1 exempted from, or otherwise not subject to, the requirements
2 of Chapter 20 of the Valuation Manual in the policy year.

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

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

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

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

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

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

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

24 "(1) Universal Life with Secondary Guarantee (ULSG)
25 policies.

26 "(2) Policies other than ULSG policies that contain
27 a rider with a secondary guarantee, in which the secondary

1 guarantee does not meet the Valuation Manual definition of a
2 nonmaterial secondary guarantee.

3 ~~"(b)~~ (d) Each exemption or lack of exemption
4 pursuant to this section applies to policies issued or assumed
5 in the current year and to all future valuation dates for
6 those policies.

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

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

23 "(f) If a filed statement of exemption is not
24 rejected by the commissioner, the filing of subsequent
25 statements of exemption is not required if the company
26 continues to qualify for the exemption. Ongoing statements of

1 exemption for each new calendar year shall not be deemed to be
2 rejected, unless both of the following apply:

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

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

7 "(g) If an ongoing statement of exemption is
8 rejected, the statement of exemption for the current calendar
9 year is deemed rejected and a new statement of exemption must
10 be filed and not rejected in order for the company to exempt
11 additional policies.

12 "(h) The minimum reserve requirements for life
13 insurance, accident and health insurance contracts, credit
14 life contracts, group life contracts, annuities, or
15 deposit-type contracts issued on or after the operative date
16 of the Valuation Manual for a company calculating reserves
17 under this section are those pursuant to applicable
18 requirements in Appendix A and Appendix C of the Valuation
19 Manual using the mortality as defined in Section 3.C.1 of
20 Chapter 20 and Appendix M of the Valuation Manual.

21 ~~(e)~~ (i) A company that reports reserves using the
22 alternative valuation shall also be exempt from the
23 principle-based reserves corporate governance requirements,
24 certification of effectiveness of principle-based reserves
25 internal controls, and a principle-based reserves valuation
26 report."

1 Section 4. This act shall become effective
2 immediately following its passage and approval by the
3 Governor, or its otherwise becoming law.