

# SENATE BILL 227

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By: **Senator Kelley**

Introduced and read first time: January 24, 2019

Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Principle–Based Reserves**

3 FOR the purpose of altering the exemptions that the Maryland Insurance Commissioner  
4 may provide to certain domestic insurance companies from certain reserve  
5 requirements; authorizing the Commissioner to exempt a certain domestic insurance  
6 company from certain requirements if the company meets certain principle–based  
7 reserve exemption criteria; repealing certain exemptions to certain reserve  
8 requirements; and generally relating to insurance companies and required reserves.

9 BY repealing and reenacting, with amendments,  
10 Article – Insurance  
11 Section 5–317  
12 Annotated Code of Maryland  
13 (2017 Replacement Volume and 2018 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
15 That the Laws of Maryland read as follows:

16 **Article – Insurance**

17 5–317.

18 (a) The Commissioner may exempt a specific product form or product line of a  
19 domestic company that holds a certificate of authority issued by the Commissioner and is  
20 doing business only in the State from the requirements of § 5–313 of this subtitle if:

21 (1) the Commissioner has issued an exemption in writing to the company;

22 (2) the exemption has not been revoked in writing by the Commissioner;

23 and

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (3) the company computes reserves:

2 (i) using assumptions and methods used before the operative date  
3 of the valuation manual; and

4 (ii) in accordance with any requirements established by the  
5 Commissioner by regulation.

6 (b) (1) A company that is granted an exemption under subsection (a) of this  
7 section is subject to § 5–201 of this title and §§ 5–302 through 5–312 of this subtitle.

8 (2) With respect to a company that is granted an exemption under  
9 subsection (a) of this section, any reference to § 5–313 of this subtitle found in § 5–201.1 of  
10 this title and §§ 5–302 through 5–312 of this subtitle is not applicable.

11 (c) The Commissioner may exempt a domestic company that holds a certificate of  
12 authority issued by the Commissioner and is doing business in the State from the  
13 requirements of §§ 5–314 and 5–315 of this subtitle if[:

14 (1) the domestic company has less than \$500,000,000 of ordinary life  
15 premiums and, if the domestic company is a member of a group of life insurers, the group  
16 has combined ordinary life premiums of less than \$1,000,000,000;

17 (2) (i) the domestic company reported total adjusted capital of at least  
18 450% of the authorized control level risk–based capital in the most recent risk–based  
19 capital report; and

20 (ii) the appointed actuary has provided an unqualified opinion on the  
21 reserves for the prior calendar year; and

22 (3) any universal life insurance policies with secondary guarantees issued  
23 or assumed by the domestic company with an issue date on or after the operative date of  
24 the valuation manual do not exceed 5% of the total in–force reserves for the domestic  
25 company] **THE COMPANY MEETS THE PRINCIPLE–BASED RESERVES EXEMPTION**  
26 **CRITERIA IN THE VALUATION MANUAL.**

27 (d) For purposes of subsection (c) of this section, ordinary life premiums are  
28 measured as direct premium plus reinsurance assumed from an unaffiliated company, as  
29 reported in the annual statement for the prior calendar year.

30 (e) (1) A domestic company that meets the requirements of subsection (c) of  
31 this section shall:

32 (i) compute reserves:

33 1. using assumptions and methods used before the operative  
34 date of the valuation manual; and

1                                   2.     in accordance with any requirements established by the  
2 Commissioner in regulation; and

3                                   (ii)   file, before July 1 of each year, a statement with the  
4 Commissioner certifying that the domestic company meets the requirements of subsection  
5 (c) of this section for the current calendar year based on premiums and other values from  
6 the financial statements for the prior calendar year.

7                                   (2)   Before September 1 of each year, the Commissioner may reject a  
8 statement filed under paragraph (1)(ii) of this subsection and require a domestic company  
9 to comply with the valuation manual requirements for life insurance reserves.

10                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
11 October 1, 2019.