

HOUSE BILL 252

C4

(PRE-FILED)

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CF 4lr0330

By: **Chair, Economic Matters Committee (By Request – Departmental – Maryland Insurance Administration)**

Requested: September 15, 2023

Introduced and read first time: January 10, 2024

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 1, 2024

CHAPTER _____

1 AN ACT concerning

2 **Insurance – Holding Companies – Group Capital Calculation and Liquidity**
3 **Stress Test**

4 FOR the purpose of requiring certain controlling persons of certain insurers in an insurance
5 holding company system to file an annual group calculation as directed by the lead
6 state commissioner of the insurance group; requiring certain controlling persons of
7 certain insurers in an insurance holding company system to file the results of a
8 liquidity stress test for certain years; providing for the confidentiality of certain
9 information; authorizing and requiring the Maryland Insurance Commissioner to
10 take certain actions with respect to certain information; and generally relating to
11 insurance company regulation.

12 BY repealing and reenacting, with amendments,
13 Article – Insurance
14 Section 7–101, 7–106, and 7–603
15 Annotated Code of Maryland
16 (2017 Replacement Volume and 2023 Supplement)

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

19 **Article – Insurance**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 7–101.

2 (a) In this title the following words have the meanings indicated.

3 (b) “Affiliate” means a person that directly or indirectly, through one or more
4 intermediaries, controls, is controlled by, or is under common control with another person.

5 (c) “Control”, “controlling”, “controlled by”, or “under common control with”
6 means the direct or indirect possession of the power to direct or cause the direction of the
7 management and policies of a person, through ownership of voting securities or of securities
8 convertible into voting securities, by contract other than a commercial contract for goods or
9 nonmanagement services, or otherwise, whether or not the power is exercised or sought to
10 be exercised unless the power is the result of an official position with or corporate office
11 held by the person.

12 (d) (1) “Enterprise risk” means any activity, circumstance, event, or series of
13 events involving one or more affiliates of an insurer that, if not remedied promptly, is likely
14 to have a material adverse effect on the financial condition or liquidity of the insurer or its
15 insurance holding company system as a whole.

16 (2) “Enterprise risk” includes anything that would:

17 (i) cause the insurer’s risk based capital to fall to or below a
18 company action level under Title 4, Subtitle 3 of this article; or

19 (ii) cause the insurer to be in a hazardous financial condition under
20 § 9–102 of this article.

21 **(E) “GROUP CAPITAL CALCULATION INSTRUCTIONS” MEANS THE GROUP**
22 **CAPITAL CALCULATION INSTRUCTIONS ADOPTED BY THE NAIC, AS AMENDED FROM**
23 **TIME TO TIME.**

24 **[(e)] (F)** “Insurance holding company” means a person that directly or indirectly
25 controls an insurer or controls a person that controls an insurer.

26 **[(f)] (G)** “Insurance holding company system” means two or more affiliates, at
27 least one of which is an insurer.

28 **(H) “LEAD STATE COMMISSIONER” MEANS THE LEAD STATE INSURANCE**
29 **COMMISSIONER OF THE INSURANCE HOLDING COMPANY SYSTEM AS DETERMINED**
30 **BY THE PROCEDURES IN THE NAIC FINANCIAL ANALYSIS HANDBOOK.**

31 **(I) “NAIC” MEANS THE NATIONAL ASSOCIATION OF INSURANCE**
32 **COMMISSIONERS.**

1 **(J) “NAIC LIQUIDITY STRESS TEST FRAMEWORK” MEANS A SEPARATE**
2 **NAIC PUBLICATION THAT INCLUDES, AS ADOPTED BY THE NAIC AND AS AMENDED:**

3 **(1) A HISTORY OF THE NAIC’S DEVELOPMENT OF REGULATORY**
4 **LIQUIDITY STRESS TESTING;**

5 **(2) THE SCOPE CRITERIA APPLICABLE FOR A SPECIFIC DATA YEAR;**
6 **AND**

7 **(3) THE LIQUIDITY STRESS TEST INSTRUCTIONS AND REPORTING**
8 **TEMPLATES FOR A SPECIFIC DATA YEAR.**

9 **(K) “SCOPE CRITERIA” MEANS THE DESIGNATED EXPOSURE BASES ALONG**
10 **WITH MINIMUM MAGNITUDES OF EXPOSURE FOR THE SPECIFIED DATA YEAR, AS**
11 **DETAILED IN THE NAIC LIQUIDITY STRESS TEST FRAMEWORK, USED TO ESTABLISH**
12 **A PRELIMINARY LIST OF INSURERS CONSIDERED INCLUDED IN THE SCOPE OF THE**
13 **NAIC LIQUIDITY STRESS TEST FRAMEWORK FOR THAT DATA YEAR.**

14 **[(g)] (L) “Subsidiary” means an affiliate of a person that, directly or indirectly,**
15 **through one or more intermediaries, is controlled by that person.**

16 **[(h)] (M) “Ultimate controlling person” means the person within a holding**
17 **company system that is not controlled by any other person.**

18 7–106.

19 (a) Except as provided in subsections (b) and (c) of this section or otherwise by
20 law, all information and documents that are filed with the Commissioner in compliance
21 with the requirements of this title or that are reported to, obtained by, or otherwise
22 disclosed to the Commissioner or any other person in the course of an examination or
23 investigation made under this title:

24 (1) are confidential material;

25 (2) are not subject to subpoena;

26 (3) may not be made public by the Commissioner, the [National Association
27 of Insurance Commissioners] **NAIC**, or any other person; and

28 (4) are not subject to discovery or admissible in evidence in any civil action.

29 (b) Material that otherwise is confidential under subsection (a) of this section may
30 be made public by any person who has received the prior written consent of the person to
31 whom the material relates.

1 (c) If, after giving the person to whom the material relates notice and an
2 opportunity to be heard, the Commissioner determines that it is in the interest of the
3 policyholders, stockholders, or the public to make public any material relating to the person
4 that otherwise is confidential under subsection (a) of this section, the Commissioner may
5 make public all or part of the material in an appropriate manner.

6 (D) (1) IN ADDITION TO THE PROTECTIONS AFFORDED CONFIDENTIAL
7 INFORMATION FILED UNDER THIS TITLE AND § 2-209 OF THIS ARTICLE, THE
8 FOLLOWING PROVISIONS APPLY EXPRESSLY TO CONFIDENTIAL INFORMATION THAT
9 IS IN THE CONTROL OR POSSESSION OF THE COMMISSIONER AND ~~OBTAINED OR~~
10 ~~GENERATED DURING AN ANALYSIS CONDUCTED~~ REPORTED OR PROVIDED TO THE
11 COMMISSIONER IN ACCORDANCE WITH § 7-603(I) AND (J) OF THIS TITLE.

12 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION,
13 THE DOCUMENT, MATERIAL, OR INFORMATION:

14 (I) IS RECOGNIZED AS BEING PROPRIETARY AND TO CONTAIN
15 TRADE SECRETS;

16 (II) IS CONFIDENTIAL AND PRIVILEGED;

17 (III) IS NOT SUBJECT TO THE PUBLIC INFORMATION ACT;

18 (IV) IS NOT SUBJECT TO SUBPOENA; AND

19 (V) IS NOT SUBJECT TO DISCOVERY OR ADMISSIBLE IN
20 EVIDENCE IN ANY PRIVATE CIVIL ACTION.

21 (3) THE COMMISSIONER MAY USE ANY DOCUMENT, MATERIAL, OR
22 INFORMATION THAT IS SUBJECT TO THIS SUBSECTION TO FURTHER ANY
23 REGULATORY OR LEGAL ACTION BROUGHT AS PART OF THE DUTIES OF THE
24 COMMISSIONER.

25 (4) THE COMMISSIONER AND ANY PERSON THAT RECEIVES A
26 DOCUMENT, MATERIAL, OR INFORMATION THAT IS SUBJECT TO THIS SUBSECTION
27 WHILE ACTING UNDER THE AUTHORITY OF THE COMMISSIONER MAY NOT BE
28 ALLOWED OR REQUIRED TO TESTIFY IN ANY PRIVATE CIVIL ACTION CONCERNING
29 THE DOCUMENT, MATERIAL, OR INFORMATION.

30 ~~(5) A RECIPIENT OF ANY DOCUMENT, MATERIAL, OR INFORMATION~~
31 ~~GENERATED UNDER § 7-603(I) AND (J) OF THIS TITLE MAY NOT STORE THE~~
32 ~~DOCUMENT, MATERIAL, OR INFORMATION IN A PERMANENT DATABASE AFTER THE~~
33 ~~UNDERLYING ANALYSIS IS COMPLETED.~~

~~(6) THE GROUP CAPITAL CALCULATION AND LIQUIDITY TEST, ALONG WITH THE RESULT AND SUPPORTING DISCLOSURES REQUIRED UNDER § 7-603(I) AND (J) OF THIS TITLE MAY NOT BE MADE PUBLIC FOR ANY REASON.~~

(5) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, FOR PURPOSES OF THE INFORMATION REPORTED AND PROVIDED TO THE COMMISSIONER UNDER § 7-603(I) OF THIS TITLE, THE COMMISSIONER SHALL MAINTAIN THE CONFIDENTIALITY OF THE GROUP CAPITAL CALCULATION AND GROUP CAPITAL RATIO PRODUCED WITHIN THE CALCULATION AND ANY GROUP CAPITAL INFORMATION RECEIVED FROM AN INSURANCE HOLDING COMPANY SUPERVISED BY THE FEDERAL RESERVE BOARD OR ANY U.S. GROUP-WIDE SUPERVISOR.

(6) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, FOR PURPOSES OF THE INFORMATION REPORTED AND PROVIDED TO THE COMMISSIONER UNDER § 7-603(J) OF THIS TITLE, THE COMMISSIONER SHALL MAINTAIN THE CONFIDENTIALITY OF THE LIQUIDITY STRESS TEST RESULTS AND SUPPORTING DISCLOSURES AND ANY LIQUIDITY STRESS TEST INFORMATION RECEIVED FROM AN INSURANCE HOLDING COMPANY SUPERVISED BY THE FEDERAL RESERVE BOARD AND NON-U.S. GROUP-WIDE SUPERVISORS.

(7) IN ORDER TO ASSIST IN THE PERFORMANCE OF THE COMMISSIONER'S DUTIES, THE COMMISSIONER:

(I) EXCEPT AS PROVIDED IN ITEM (II) OF THIS PARAGRAPH, MAY SHARE DOCUMENTS, MATERIALS, OR OTHER INFORMATION, INCLUDING CONFIDENTIAL AND PRIVILEGED INFORMATION, THAT MAY INCLUDE PROPRIETARY AND TRADE SECRET DOCUMENTS AND MATERIALS WITH OTHER STATE, FEDERAL, AND INTERNATIONAL REGULATORY AGENCIES, THE NAIC, ANY THIRD-PARTY CONSULTANTS DESIGNATED BY THE COMMISSIONER, AND STATE, FEDERAL, AND INTERNATIONAL LAW ENFORCEMENT AUTHORITIES, INCLUDING MEMBERS OF ANY SUPERVISORY COLLEGE DESCRIBED IN § 2-209.1 OF THIS ARTICLE, IF THE RECIPIENT:

1. AGREES IN WRITING TO MAINTAIN THE CONFIDENTIALITY AND PRIVILEGED STATUS OF THE DOCUMENT, MATERIAL, OR OTHER INFORMATION; AND

2. HAS VERIFIED IN WRITING THE LEGAL AUTHORITY TO MAINTAIN CONFIDENTIALITY;

(II) MAY SHARE ONLY CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIAL, OR INFORMATION REPORTED UNDER § 7-603(H) OF THIS TITLE WITH THE COMMISSIONERS OF STATES HAVING STATUTES OR REGULATIONS

1 SUBSTANTIALLY SIMILAR TO THIS SECTION AND WHO HAVE AGREED IN WRITING NOT
2 TO DISCLOSE THE INFORMATION;

3 (III) 1. MAY RECEIVE DOCUMENTS, MATERIALS, OR
4 INFORMATION, INCLUDING OTHERWISE CONFIDENTIAL AND PRIVILEGED
5 DOCUMENTS, MATERIALS, AND INFORMATION, THAT MAY INCLUDE PROPRIETARY
6 AND TRADE SECRET INFORMATION FROM THE NAIC AND ITS AFFILIATES AND
7 SUBSIDIARIES AND FROM REGULATORY AND LAW ENFORCEMENT OFFICIALS OF
8 OTHER FOREIGN OR DOMESTIC JURISDICTIONS; AND

9 2. SHALL MAINTAIN AS CONFIDENTIAL AND PRIVILEGED
10 ANY DOCUMENT, MATERIAL, OR INFORMATION RECEIVED WITH NOTICE OR THE
11 UNDERSTANDING THAT IT IS CONFIDENTIAL OR PRIVILEGED UNDER THE LAWS OF
12 THE JURISDICTION THAT IS THE SOURCE OF THE DOCUMENT, MATERIAL, OR
13 INFORMATION; AND

14 (IV) SHALL ENTER INTO WRITTEN AGREEMENTS WITH THE
15 NAIC AND ANY THIRD-PARTY CONSULTANT DESIGNATED BY THE COMMISSIONER
16 GOVERNING THE SHARING AND USE OF INFORMATION PROVIDED IN ACCORDANCE
17 WITH THIS TITLE AND CONSISTENT WITH THIS SECTION.

18 (8) AN AGREEMENT ENTERED INTO UNDER PARAGRAPH (7)(IV) OF
19 THIS SUBSECTION SHALL:

20 (I) SPECIFY PROCEDURES AND PROTOCOLS REGARDING
21 CONFIDENTIALITY AND SECURITY OF INFORMATION SHARED WITH THE NAIC OR A
22 THIRD-PARTY CONSULTANT DESIGNATED BY THE COMMISSIONER UNDER THIS
23 TITLE, INCLUDING PROCEDURES AND PROTOCOLS FOR THE SHARING OF THE
24 INFORMATION BY THE NAIC WITH OTHER STATE, FEDERAL, OR INTERNATIONAL
25 REGULATORS;

26 (II) PROVIDE THAT THE RECIPIENT AGREES IN WRITING TO
27 MAINTAIN THE CONFIDENTIALITY AND PRIVILEGED STATUS OF THE DOCUMENTS,
28 MATERIALS, AND OTHER INFORMATION AND HAS VERIFIED IN WRITING THE LEGAL
29 AUTHORITY TO MAINTAIN THE CONFIDENTIALITY;

30 (III) SPECIFY THAT OWNERSHIP OF INFORMATION SHARED WITH
31 THE NAIC OR A THIRD-PARTY CONSULTANT UNDER THIS TITLE REMAINS WITH THE
32 COMMISSIONER AND THE USE OF THE INFORMATION IS SUBJECT TO THE DIRECTION
33 OF THE COMMISSIONER;

34 (IV) EXCLUDING DOCUMENTS, MATERIAL, OR INFORMATION
35 REPORTED UNDER § 7-603(J) OF THIS TITLE, PROHIBIT THE NAIC OR A
36 THIRD-PARTY CONSULTANT DESIGNATED BY THE COMMISSIONER FROM STORING

1 THE INFORMATION SHARED UNDER THIS TITLE IN A PERMANENT DATABASE AFTER
2 THE UNDERLYING ANALYSIS IS COMPLETED;

3 (V) REQUIRE PROMPT NOTICE TO BE GIVEN TO AN INSURER
4 WHOSE CONFIDENTIAL INFORMATION IN THE POSSESSION OF THE NAIC OR A
5 THIRD-PARTY CONSULTANT DESIGNATED BY THE COMMISSIONER IS SUBJECT TO A
6 REQUEST OR SUBPOENA TO THE NAIC OR A THIRD-PARTY CONSULTANT
7 DESIGNATED BY THE COMMISSIONER FOR DISCLOSURE OR PRODUCTION;

8 (VI) REQUIRE THE NAIC OR A THIRD-PARTY CONSULTANT
9 DESIGNATED BY THE COMMISSIONER TO CONSENT TO INTERVENTION BY AN
10 INSURER IN ANY JUDICIAL OR ADMINISTRATIVE ACTION IN WHICH THE NAIC OR A
11 THIRD-PARTY CONSULTANT DESIGNATED BY THE COMMISSIONER MAY BE
12 REQUIRED TO DISCLOSE CONFIDENTIAL INFORMATION ABOUT THE INSURER
13 SHARED BY THE NAIC OR A THIRD-PARTY CONSULTANT DESIGNATED BY THE
14 COMMISSIONER; AND

15 (VII) FOR DOCUMENTS, MATERIAL, OR INFORMATION REPORTED
16 UNDER § 7-603(J) OF THIS TITLE, PROVIDE FOR THE NOTIFICATION OF THE
17 IDENTITY OF THE CONSULTANT TO THE APPLICABLE INSURERS, IN THE CASE OF AN
18 AGREEMENT INVOLVING A THIRD-PARTY CONSULTANT.

19 (9) (I) THE SHARING OF INFORMATION BY THE COMMISSIONER
20 UNDER THIS TITLE MAY NOT CONSTITUTE A DELEGATION OF REGULATORY
21 AUTHORITY OR RULEMAKING.

22 (II) THE COMMISSIONER IS SOLELY RESPONSIBLE FOR THE
23 ADMINISTRATION, EXECUTION, AND ENFORCEMENT OF THIS TITLE.

24 (10) A WAIVER OF ANY APPLICABLE PRIVILEGE OR CLAIM OF
25 CONFIDENTIALITY IN THE DOCUMENTS, MATERIALS, OR INFORMATION MAY NOT
26 OCCUR AS A RESULT OF DISCLOSURE TO THE COMMISSIONER OR AS A RESULT OF
27 SHARING AS AUTHORIZED IN THIS SECTION.

28 (11) THE GROUP CAPITAL CALCULATION AND RESULTING GROUP
29 CAPITAL RATIO REQUIRED UNDER § 7-603(I) OF THIS TITLE AND THE LIQUIDITY
30 STRESS TEST ALONG WITH ITS RESULTS AND SUPPORTING DISCLOSURES REQUIRED
31 UNDER § 7-603(J) OF THIS TITLE ARE REGULATORY TOOLS FOR ASSESSING GROUP
32 RISKS AND CAPITAL ADEQUACY AND GROUP LIQUIDITY RISKS, RESPECTIVELY, AND
33 ARE NOT INTENDED AS A MEANS TO RANK INSURERS OR INSURANCE HOLDING
34 COMPANY SYSTEMS GENERALLY.

35 (12) DISCLOSURE OF GROUP CAPITAL CALCULATION, GROUP CAPITAL
36 RATIO, LIQUIDITY STRESS TEST RESULTS, OR SUPPORTING DISCLOSURES BY ANY

1 INSURER, BROKER, OR OTHER PERSON ENGAGED IN ANY MANNER OF THE
2 INSURANCE BUSINESS IS SUBJECT TO THE FOLLOWING:

3 (I) EXCEPT AS PROVIDED IN ITEM (II) OF THIS PARAGRAPH OR
4 AS OTHERWISE REQUIRED BY THIS TITLE, THE DIRECT OR INDIRECT DISCLOSURE,
5 IN ANY WRITTEN, ELECTRONIC, OR OTHER MANNER AS AN ADVERTISEMENT, AN
6 ANNOUNCEMENT OR A STATEMENT CONTAINING A REPRESENTATION, OR A
7 STATEMENT WITH REGARD TO THE GROUP CAPITAL CALCULATION, GROUP CAPITAL
8 RATIO, THE LIQUIDITY STRESS TEST RESULTS, OR SUPPORTING DISCLOSURES FOR
9 THE LIQUIDITY STRESS TEST OF ANY INSURER OR ANY INSURER GROUP, OR OF ANY
10 COMPONENT DERIVED IN THE CALCULATION BY ANY INSURER, BROKER, OR OTHER
11 PERSON ENGAGED IN ANY MANNER IN THE INSURANCE BUSINESS WOULD BE
12 MISLEADING AND IS THEREFORE PROHIBITED; AND

13 (II) THE INSURER MAY PUBLISH ANNOUNCEMENTS IN A
14 WRITTEN PUBLICATION IF:

15 1. ANY MATERIALLY FALSE STATEMENT WITH RESPECT
16 TO THE GROUP CAPITAL CALCULATION, RESULTING GROUP CAPITAL RATIO, AN
17 INAPPROPRIATE COMPARISON OF ANY AMOUNT TO AN INSURER'S OR INSURANCE
18 GROUP'S GROUP CAPITAL CALCULATION OR RESULTING GROUP CAPITAL RATIO,
19 LIQUIDITY STRESS TEST RESULT, SUPPORTING DISCLOSURES FOR THE LIQUIDITY
20 STRESS TEST, OR AN INAPPROPRIATE COMPARISON OF ANY AMOUNT TO AN
21 INSURER'S OR INSURANCE GROUP'S LIQUIDITY STRESS TEST RESULT OR
22 SUPPORTING DISCLOSURES IS PUBLISHED IN ANY WRITTEN PUBLICATION AND THE
23 INSURER IS ABLE TO DEMONSTRATE TO THE COMMISSIONER WITH SUBSTANTIAL
24 PROOF THE FALSITY OF THE STATEMENT OR THE INAPPROPRIATENESS OF THE
25 COMPARISON; AND

26 2. THE SOLE PURPOSE OF THE ANNOUNCEMENTS IS TO
27 REBUT THE MATERIALLY FALSE STATEMENT OR INAPPROPRIATE COMPARISON.

28 7-603.

29 (a) Each insurer subject to registration shall file the registration statement on
30 the form provided by the Commissioner, containing the following current information:

31 (1) the corporate and capital structure, general financial condition,
32 ownership, and management of the insurer and of any person controlling the insurer;

33 (2) the identity and relationship of each member of the insurance holding
34 company system;

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

4 (4) the following agreements in force, and transactions currently
5 outstanding or that have occurred during the previous calendar year between the insurer
6 and the insurer's affiliates:

7 (i) loans, other investments, purchases, sales, and exchanges of
8 securities of the affiliates by the insurer or of the insurer by its affiliates;

9 (ii) purchases, sales, and exchanges of assets;

10 (iii) transactions not in the ordinary course of business;

11 (iv) except for insurance contracts entered into in the ordinary course
12 of the insurer's business, guarantees or undertakings for the benefit of an affiliate that
13 result in an actual contingent exposure to liability of the insurer's assets;

14 (v) management agreements, service contracts, and cost-sharing
15 arrangements;

16 (vi) reinsurance agreements;

17 (vii) dividends and other distributions to shareholders; and

18 (viii) consolidated tax allocation agreements;

19 (5) statements that the insurer's board of directors oversees corporate
20 governance and internal controls and that the insurer's officers or senior management have
21 approved, implemented, and continue to maintain and monitor corporate governance and
22 internal control procedures;

23 (6) on request from the Commissioner and in accordance with subsection
24 (f) of this section, financial statements of or within an insurance holding company system,
25 including all affiliates;

26 (7) any other matters about transactions between the insurer and its
27 affiliates that the registration statement form requires; and

28 (8) a summary outlining all items in the current registration statement
29 that represent changes from the prior registration statement.

30 (b) Each affiliate in an insurance holding company system shall give an insurer
31 subject to registration under this subtitle that is in the same insurance holding company
32 system complete and accurate information if that information is reasonably necessary to
33 enable the insurer to comply with this subtitle.

1 (c) Each insurer required to register under this subtitle shall, on request of the
2 insurance commissioner of any state where the insurer is authorized to do business, file
3 with that commissioner a copy of the registration statement summary required by
4 subsection (a)(8) of this section.

5 (d) The Commissioner may allow or require affiliated insurers subject to
6 registration under this subtitle to file a consolidated registration statement.

7 (e) The Commissioner may require an insurer that is a member of an insurance
8 holding company system and that is not subject to registration under this subtitle to provide
9 to the Commissioner a copy of the registration statement or other information that the
10 insurer files with the commissioner of the insurer's domiciliary jurisdiction.

11 (f) (1) Financial statements required under subsection (a)(6) of this section
12 may include annual audited financial statements filed with the U.S. Securities and
13 Exchange Commission under the Securities Act of 1933, as amended, or the Securities
14 Exchange Act of 1934, as amended.

15 (2) An insurer required to file financial statements under subsection (a) of
16 this section may satisfy the request by providing the Commissioner with the most recently
17 filed parent corporation financial statements that have been filed with the U.S. Securities
18 and Exchange Commission.

19 (g) (1) **[Unless] EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS**
20 **SUBSECTION AND UNLESS** otherwise provided by the Commissioner through regulation
21 or order, a sale, a purchase, an exchange, a loan or an extension of credit, an investment,
22 or a guarantee involving 0.5% or less of an insurer's admitted assets as of the December 31
23 immediately preceding the transaction is not material for purposes of this section.

24 (2) Information need not be disclosed on the registration statement filed
25 under subsection (a) of this section if the information is not material.

26 **(3) PARAGRAPH (1) OF THIS SUBSECTION DOES NOT APPLY FOR**
27 **PURPOSES OF THE GROUP CAPITAL CALCULATION OR THE LIQUIDITY STRESS TEST**
28 **FRAMEWORK.**

29 (h) (1) Beginning in 2015, the ultimate controlling person of every insurer
30 subject to registration shall file an annual enterprise risk report on or before July 1 of each
31 year unless the Commissioner extends the time for filing for good cause.

32 (2) The enterprise risk report shall, to the best of the ultimate controlling
33 person's knowledge and belief, identify the material risks within the insurance holding
34 company system that could pose enterprise risk to the insurer.

35 (3) The enterprise risk report shall be filed with the lead state
36 commissioner of the insurance holding company system as defined and determined by the

1 procedures in the NAIC Financial Analysis Handbook [adopted by the National
2 Association of Insurance Commissioners].

3 (4) The Commissioner may share the enterprise risk report filed under
4 paragraph (1) of this subsection with an insurance regulatory agency in a state that has
5 laws or regulations that the Commissioner determines are substantially similar to §
6 2-209(g) and (h) of this article, only if the agency agrees in writing to maintain the
7 confidentiality and privileged status of the report.

8 (I) (1) (I) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS
9 SUBSECTION, THE ULTIMATE CONTROLLING PERSON OF EACH INSURER SUBJECT TO
10 REGISTRATION UNDER THIS SUBTITLE SHALL CONCURRENTLY FILE WITH THE
11 REGISTRATION STATEMENT AN ANNUAL GROUP CAPITAL CALCULATION AS
12 DIRECTED BY THE LEAD STATE COMMISSIONER OF THE INSURANCE GROUP.

13 (II) 1. THE REPORT SHALL BE COMPLETED IN ACCORDANCE
14 WITH THE NAIC GROUP CAPITAL CALCULATION INSTRUCTIONS.

15 2. THE NAIC GROUP CAPITAL CALCULATION
16 INSTRUCTIONS MAY AUTHORIZE THE LEAD STATE COMMISSIONER TO ALLOW A
17 CONTROLLING PERSON THAT IS NOT THE ULTIMATE CONTROLLING PERSON TO FILE
18 THE GROUP CAPITAL CALCULATION.

19 (III) THE REPORT SHALL BE FILED WITH THE LEAD STATE
20 COMMISSIONER OF THE INSURANCE HOLDING COMPANY SYSTEM AS DETERMINED
21 BY THE LEAD STATE COMMISSIONER IN ACCORDANCE WITH THE PROCEDURES IN
22 THE NAIC FINANCIAL ANALYSIS HANDBOOK.

23 (2) THE FOLLOWING INSURANCE HOLDING COMPANY SYSTEMS ARE
24 EXEMPT FROM FILING THE GROUP CAPITAL CALCULATION:

25 (I) AN INSURANCE HOLDING COMPANY SYSTEM THAT:

26 1. HAS ONLY ONE INSURER WITHIN ITS HOLDING
27 COMPANY STRUCTURE;

28 2. ONLY WRITES BUSINESS AND IS ONLY LICENSED IN ITS
29 DOMESTIC STATE; AND

30 3. ASSUMES NO BUSINESS FROM ANY OTHER INSURER;

31 (II) AN INSURANCE HOLDING COMPANY SYSTEM THAT IS
32 REQUIRED TO PERFORM A GROUP CAPITAL CALCULATION SPECIFIED BY THE
33 FEDERAL RESERVE BOARD ~~IS EXEMPT IF:~~

1 ~~1. THE LEAD STATE COMMISSIONER REQUESTS THE~~
2 ~~CALCULATION FROM THE FEDERAL RESERVE BOARD UNDER THE TERMS OF~~
3 ~~INFORMATION SHARING AGREEMENTS IN EFFECT; AND~~

4 ~~2. THE FEDERAL RESERVE BOARD SHARES THE~~
5 ~~CALCULATION WITH THE LEAD STATE COMMISSIONER, UNLESS THE FEDERAL~~
6 ~~RESERVE BOARD CANNOT SHARE THE CALCULATION WITH THE LEAD STATE~~
7 ~~COMMISSIONER AFTER THE LEAD STATE COMMISSIONER MAKES A REQUEST UNDER~~
8 ~~THE TERMS OF INFORMATION SHARING AGREEMENTS IN EFFECT AT THE TIME THE~~
9 ~~REQUEST IS MADE;~~

10 (III) AN INSURANCE HOLDING COMPANY SYSTEM WHOSE
11 ~~FOREIGN NON-U.S.~~ GROUP-WIDE SUPERVISOR IS LOCATED WITHIN A RECIPROCAL
12 JURISDICTION AS DESCRIBED IN § 5-917 OF THIS ARTICLE THAT RECOGNIZES THE
13 U.S. STATE REGULATORY APPROACH TO GROUP SUPERVISION AND GROUP CAPITAL;

14 (IV) AN INSURANCE HOLDING COMPANY SYSTEM THAT
15 PROVIDES INFORMATION TO THE LEAD STATE THAT MEETS THE REQUIREMENTS
16 FOR ACCREDITATION UNDER THE NAIC FINANCIAL STANDARDS AND
17 ACCREDITATION PROGRAM, EITHER DIRECTLY OR INDIRECTLY THROUGH THE
18 GROUP-WIDE SUPERVISOR, WHO HAS DETERMINED THAT THE INFORMATION IS
19 SATISFACTORY TO ALLOW THE LEAD STATE TO COMPLY WITH THE NAIC GROUP
20 SUPERVISION APPROACH, AS DETAILED IN THE NAIC FINANCIAL ANALYSIS
21 HANDBOOK; AND

22 (V) AN INSURANCE HOLDING COMPANY SYSTEM WHOSE
23 ~~FOREIGN NON-U.S.~~ GROUP-WIDE SUPERVISOR THAT IS NOT IN A RECIPROCAL
24 JURISDICTION RECOGNIZES AND ACCEPTS, AS THE LEAD STATE COMMISSIONER
25 SPECIFIES BY REGULATION, THE GROUP CAPITAL CALCULATION AS THE
26 WORLD-WIDE GROUP CAPITAL ASSESSMENT FOR U.S. INSURANCE GROUPS THAT
27 OPERATE IN THAT JURISDICTION.

28 (3) NOTWITHSTANDING PARAGRAPH ~~(2)~~ (2)(III), (IV), AND (V) OF THIS
29 SUBSECTION, THE LEAD STATE COMMISSIONER SHALL REQUIRE THE GROUP
30 CAPITAL CALCULATION FOR U.S. OPERATIONS OF ANY ~~FOREIGN-BASED~~
31 NON-U.S.-BASED INSURANCE HOLDING COMPANY SYSTEM IF, AFTER ANY
32 NECESSARY CONSULTATION WITH OTHER SUPERVISORS OR OFFICIALS, THE LEAD
33 STATE COMMISSIONER DETERMINES THAT THE GROUP CAPITAL CALCULATION IS
34 APPROPRIATE FOR PRUDENTIAL OVERSIGHT AND SOLVENCY MONITORING
35 PURPOSES OR FOR ENSURING THE COMPETITIVENESS OF THE INSURANCE
36 MARKETPLACE.

37 (4) NOTWITHSTANDING THE EXEMPTIONS FROM FILING THE GROUP
38 CAPITAL CALCULATION STATED IN PARAGRAPH (2) OF THIS SUBSECTION, THE LEAD

1 STATE COMMISSIONER MAY EXEMPT THE ULTIMATE CONTROLLING PERSON FROM
2 FILING THE ANNUAL GROUP CAPITAL CALCULATION OR MAY ACCEPT A LIMITED
3 GROUP CAPITAL FILING OR REPORT IN ACCORDANCE WITH CRITERIA THE LEAD
4 STATE COMMISSIONER SPECIFIES BY REGULATION.

5 (5) IF THE LEAD STATE COMMISSIONER DETERMINES THAT AN
6 INSURANCE HOLDING COMPANY SYSTEM NO LONGER MEETS ONE OR MORE OF THE
7 REQUIREMENTS FOR AN EXEMPTION FROM FILING THE GROUP CAPITAL
8 CALCULATION UNDER THIS SUBSECTION, THE INSURANCE HOLDING COMPANY
9 SYSTEM SHALL FILE THE GROUP CAPITAL CALCULATION AT THE NEXT ANNUAL
10 FILING DATE UNLESS THE LEAD STATE COMMISSIONER GRANTS AN EXTENSION
11 BASED ON REASONABLE GROUNDS SHOWN.

12 (J) (1) THE ULTIMATE CONTROLLING PERSON OF EVERY INSURER THAT
13 IS SUBJECT TO REGISTRATION UNDER THIS SECTION AND INCLUDED IN THE SCOPE
14 OF THE NAIC LIQUIDITY STRESS TEST FRAMEWORK SHALL FILE THE RESULTS OF A
15 SPECIFIC YEAR'S LIQUIDITY STRESS TEST CONCURRENTLY WITH THE
16 REGISTRATION STATEMENT.

17 (2) THE FILING SHALL BE MADE TO THE LEAD STATE INSURANCE
18 COMMISSIONER OF THE INSURANCE HOLDING COMPANY SYSTEM AS DETERMINED
19 BY THE PROCEDURES IN THE NAIC FINANCIAL ANALYSIS HANDBOOK IN
20 ACCORDANCE WITH PARAGRAPH (3) OF THIS SUBSECTION.

21 (3) (I) 1. THE NAIC LIQUIDITY STRESS TEST FRAMEWORK
22 INCLUDES SCOPE CRITERIA APPLICABLE TO A SPECIFIC DATA YEAR.

23 2. THE SCOPE CRITERIA ARE REVIEWED AT LEAST
24 ANNUALLY BY THE FINANCIAL STABILITY TASK FORCE OR ITS SUCCESSOR.

25 3. ANY CHANGES TO THE NAIC LIQUIDITY STRESS TEST
26 FRAMEWORK OR TO THE DATA YEAR FOR WHICH THE SCOPE CRITERIA ARE TO BE
27 MEASURED SHALL BE EFFECTIVE ON JANUARY 1 OF THE YEAR FOLLOWING THE
28 CALENDAR YEAR WHEN THE CHANGES ARE ADOPTED.

29 (II) INSURERS MEETING AT LEAST ONE THRESHOLD OF THE
30 SCOPE CRITERIA ARE CONSIDERED INCLUDED IN THE SCOPE OF THE NAIC
31 LIQUIDITY STRESS TEST FRAMEWORK FOR THE SPECIFIED DATA YEAR UNLESS THE
32 LEAD STATE COMMISSIONER, IN CONSULTATION WITH THE NAIC FINANCIAL
33 STABILITY TASK FORCE OR ITS SUCCESSOR, DETERMINES THAT THE INSURER
34 SHOULD NOT BE INCLUDED IN THE SCOPE OF THE FRAMEWORK FOR THAT DATA
35 YEAR.

1 **(III) INSURERS THAT DO NOT TRIGGER AT LEAST ONE**
 2 **THRESHOLD OF THE SCOPE CRITERIA ARE CONSIDERED EXCLUDED FROM THE**
 3 **SCOPE OF THE NAIC LIQUIDITY STRESS TEST FRAMEWORK FOR THE SPECIFIED**
 4 **DATA YEAR, UNLESS THE LEAD STATE COMMISSIONER, IN CONSULTATION WITH THE**
 5 **NAIC FINANCIAL STABILITY TASK FORCE OR ITS SUCCESSOR, DETERMINES THAT**
 6 **THE INSURER SHOULD BE INCLUDED IN THE SCOPE OF THE FRAMEWORK FOR THAT**
 7 **DATA YEAR.**

8 **(IV) ON REQUEST BY AN INSURER, THE LEAD STATE**
 9 **COMMISSIONER MAY CONSULT WITH THE FINANCIAL STABILITY TASK FORCE OR**
 10 **ITS SUCCESSOR TO ADDRESS THE INSURER'S EXPERIENCE OF BEING INCLUDED IN**
 11 **OR EXCLUDED FROM THE SCOPE OF THE NAIC LIQUIDITY STRESS TEST**
 12 **FRAMEWORK ON A FREQUENT BASIS.**

13 **(V) THE PERFORMANCE OF, AND FILING OF THE RESULTS**
 14 **FROM, A SPECIFIC YEAR'S LIQUIDITY STRESS TEST SHALL COMPLY WITH THE NAIC**
 15 **LIQUIDITY STRESS TEST FRAMEWORK'S INSTRUCTIONS AND REPORTING**
 16 **TEMPLATES FOR THAT YEAR AND ANY LEAD STATE INSURANCE COMMISSIONER**
 17 **DETERMINATIONS, IN CONSULTATION WITH THE FINANCIAL STABILITY TASK**
 18 **FORCE OR ITS SUCCESSOR, INCLUDED IN THE FRAMEWORK.**

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
 20 October 1, 2024.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.