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**TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
SENATE FINANCE COMMITTEE**

JANUARY 19, 2021

SENATE BILL 120– INSURANCE – CREDIT FOR REINSURANCE MODEL LAW - REVISIONS

POSITION: SUPPORT

Thank you for the opportunity to provide written comments regarding Senate Bill 120. Senate Bill 120 adopts into Maryland law the 2016 revisions to the National Association of Insurance Commissioners’ (NAIC) Model Law #785 – Credit for Reinsurance. The NAIC was created to ensure uniformity and consistency within the insurance industry, which is regulated locally by each state within the U.S. The NAIC’s primary focus is to support state insurance regulators in their mission to protect consumers, ensure financial solvency and overall health of the insurance market.

The NAIC has revised Model Law #785 in 2011, 2016, and 2019. Each revision has become an accreditation standard over time. To date Maryland has successfully adopted the 2011 revisions in 2013 (Chapter 321, Maryland laws 2013), and the 2019 revisions in 2020 (Chapter 101, Maryland law 2020). Senate Bill 120 incorporates the 2016 revisions, which provides the authority for the Maryland Insurance Administration (MIA) to adopt the NAIC Term and Universal Life Insurance Reserve Financing Model Regulation (Regulation #787) which is an accreditation requirement by the NAIC for the State’s continued accredited status. The NAIC Accreditation Program was established to develop and maintain standards to promote effective insurance company financial solvency regulation. The purpose of the accreditation program is for state insurance departments to meet baseline standards of solvency regulation, particularly with respect to regulation of multi-state insurers.

Specifically, Senate Bill 120 serves two purposes: First, Senate Bill 120 provides authority for the MIA to adopt the Regulation #787 which establishes uniform, national standards governing reserve financing arrangements pertaining to term and universal life

insurance policies with secondary guarantees (sometimes referred to as XXX/AXXX policies). Second, Senate Bill 120 provides an exemption for “professional reinsurers” from Regulation #787. Regulation #787 is intended to codify the requirements of Actuarial Guideline AG48 which currently resides in the NAIC Accounting Practices & Procedures (AP&P) Manual Appendix C. All insurers are already required to follow the AP&P manual pursuant to §4-116 of the Insurance Article. It is expected that the provisions of AG48 in the AP&P manual will sunset when a state adopts the 2016 revisions to Model Law #785 and Model Regulation #787.

Adopting Senate Bill 120 would ensure there are adequate protections for those to whom insurers and insurers owe obligations. Adoption also enables the MIA to adopt regulations that are required for the MIA to maintain its accreditation with the NAIC. Therefore, the MIA supports Senate Bill 120 and urges the Committee to give Senate Bill 120 a favorable report.