

**SUBCHAPTER RR. Valuation Manual
28 TAC §3.9901**

INTRODUCTION. The Commissioner of Insurance adopts amended 28 TAC §3.9901, relating to the adoption of a valuation manual for reserving and related requirements. The amendments are adopted without changes to the proposed text published in the December 28, 2018, issue of the *Texas Register* (43 TexReg 8552). The department adopts §3.9901 without changes to the proposed text.

REASONED JUSTIFICATION. The amended section is necessary to implement the provisions of Senate Bill 1654, because Insurance Code §425.073 requires the Commissioner to adopt a valuation manual that is substantially similar to the valuation manual adopted by the National Association of Insurance Commissioners (NAIC).

Under Insurance Code §425.073 the Commissioner must adopt the valuation manual, and any changes to it, by rule.

Under Insurance Code §425.073(c), when the NAIC adopts changes to the valuation manual, the department must adopt substantially similar changes. This subsection also requires that the Commissioner determine that the NAIC's changes were approved by an affirmative vote representing at least three-fourths of the members of the NAIC voting, but not less than a majority of the total membership, and by NAIC members representing jurisdictions totaling greater than 75 percent of the direct written premiums as reported in the most recently available life insurance and accident and health annual statements, health annual statements, and fraternal annual statements.

The department originally adopted the valuation manual in §3.9901 on December 29, 2016, in compliance with Insurance Code §425.073. On August 7, 2018, and September

2019-5868

TITLE 28. INSURANCE
Part I. Texas Department of Insurance
Section 3.9901

Adopted Section
Page 2 of 3

10, 2018, the NAIC adopted changes to the valuation manual with a vote meeting the requirements set out in Insurance Code §425.073(c). On October 31, 2018, the Commissioner issued Commissioner's Order No. 2018-5690, making the determination that the NAIC vote met the §423.073(c) requirements.

The valuation manual amendments proposed to be adopted by the Commissioner provide updated reserving and reporting requirements for the valuation manual that are substantially similar to changes adopted by the NAIC.

Section 3.9901 as amended adopts an updated valuation manual, as required by Insurance Code §425.073.

SUMMARY OF COMMENTS. The department did not receive any comments on the proposed amendment.

STATUTORY AUTHORITY. The Commissioner adopts the amended 28 TAC §3.9901 under Insurance Code §425.073 and Insurance Code §36.001.

Section 425.073 provides that the Commissioner must adopt changes to the valuation manual that are substantially similar to the changes to the valuation manual adopted by the NAIC, and it provides that after a valuation manual has been adopted by the Commissioner by rule, any changes to the valuation manual must be adopted by rule.

Insurance Code §36.001 provides that the Commissioner may adopt any rules necessary and appropriate to implement the department's powers and duties under the Insurance Code and other laws of this state.

TEXT.

§3.9901. Adoption of Valuation Manual and Operative Date.

2019-5868

TITLE 28. INSURANCE
Part I. Texas Department of Insurance
Section 3.9901

Adopted Section
Page 3 of 3

(a) The Commissioner adopts by reference the National Association of Insurance Commissioners (NAIC) Valuation Manual, including subsequent changes that were adopted by the NAIC through September 10, 2018, as required by Insurance Code §425.073.

(b) The operative date of the NAIC Valuation Manual in Texas is January 1, 2017.

CERTIFICATION. This agency certifies that legal counsel has reviewed the adoption and found it to be within the agency's legal authority to adopt.

Issued at Austin, Texas, on February 11, 2019.

/s/ Norma Garcia
Norma Garcia
General Counsel
Texas Department of Insurance

The Commissioner adopts amended 28 TAC §3.9901.

/s/ Kent C. Sullivan
Kent C. Sullivan
Commissioner of Insurance