

**SUBCHAPTER RR. VALUATION MANUAL  
28 TAC §3.9901**

**INTRODUCTION.** The Commissioner of Insurance adopts amended 28 TAC §3.9901, relating to the adoption of changes to the valuation manual for reserving and related requirements. The amendment is adopted without changes to the proposed text published in the November 6, 2020, issue of the *Texas Register* (45 TexReg 7979).

**REASONED JUSTIFICATION.** Amended §3.9901 is necessary to satisfy Insurance Code §425.073, which 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). The adopted NAIC valuation manual may currently be viewed at:

[content.naic.org/sites/default/files/pbr\\_data\\_valuation\\_manual\\_future\\_edition.pdf](http://content.naic.org/sites/default/files/pbr_data_valuation_manual_future_edition.pdf).

Effective January 1, 2021, the adopted manual can be viewed at the following website:  
[content.naic.org/sites/default/files/pbr\\_data\\_valuation\\_manual\\_current\\_edition.pdf](http://content.naic.org/sites/default/files/pbr_data_valuation_manual_current_edition.pdf).

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 Texas Department of Insurance (TDI) must adopt substantially similar changes. This subsection also requires the Commissioner to determine that the NAIC's changes were approved by an affirmative vote representing at least three-fourths of the voting NAIC members, but not less than a majority of the total membership. In addition, the NAIC members voting in favor of amending the valuation manual must represent

jurisdictions totaling greater than 75% of the direct written premiums as reported in the most recently available life, accident, and health/fraternal annual statements and health annual statements.

TDI originally adopted the valuation manual in §3.9901 on December 29, 2016, in compliance with Insurance Code §425.073. On August 14, 2020, the NAIC voted to adopt changes to the valuation manual. Fifty-four jurisdictions, representing 99.98% of the relevant direct written premiums, voted in favor of adopting the amendments. The vote adopting changes to the NAIC valuation manual meets the requirements of Insurance Code §425.073(c).

**Amended §3.9901.** TDI amended §3.9901 by striking the date on which the NAIC adopted its previous valuation manual and inserting the date on which the NAIC adopted its current valuation manual, changing it from August 6, 2019, to August 14, 2020.

In addition to clarifying existing provisions, the 2021 valuation manual includes changes to:

- directly reference the interest rate used in the definition of "life insurance" under the Tax Code as the floor for the life nonforfeiture interest rate;
- allow for a transition from using the London Inter-bank Offered Rate because that rate standard is being eliminated;
- allow companies to use different credibility methods for different blocks of the life principle-based reserving business; and
- provide that reserving must reflect risks due to policy conversions and be included in reporting requirements.

**SUMMARY OF COMMENTS.** TDI did not receive any comments on the proposed amendment.

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

Section 425.073 requires the Commissioner to adopt changes to the valuation manual that are substantially similar to the changes to the valuation manual adopted by 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 powers and duties of TDI under the Insurance Code and other laws of this state.

**TEXT.**

**§3.9901. Valuation Manual.**

(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 August 14, 2020, 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 a valid exercise of the agency's legal authority.

Issued at Austin, Texas, on December 2, 2020.

# 2020-6593

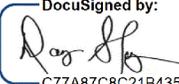
TITLE 28. INSURANCE  
Part I. Texas Department of Insurance  
Chapter 3. Life, Accident, and Health Insurance and Annuities

Adopted Section  
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DocuSigned by:  
  
75578E954EFC48A...  
James Person, General Counsel  
Texas Department of Insurance

The Commissioner adopts amended 28 TAC §3.9901.

Commissioner of Insurance

DocuSigned by:  
  
By: C77A87C8C21B435...  
Doug Slape  
Chief Deputy Commissioner  
Tex. Gov't Code §601.002  
Commissioner's Order No. 2018-5528

Commissioner's Order No. **2020-6593**