

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

**INTRODUCTION.** The Commissioner of Insurance adopts amended 28 TAC §3.9901, concerning 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 5, 2021, issue of the *Texas Register* (46 TexReg 7553).

**REASONED JUSTIFICATION.** Amended §3.9901 is necessary to comply with 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).

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, 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 17, 2021, the NAIC voted to adopt

changes to the valuation manual. Fifty-one jurisdictions, representing 92.73% of the relevant direct written premiums, voted in favor of adopting 14 of the Amendment Proposal Forms. Forty-eight jurisdictions, representing 87.27% of the relevant direct written premiums, voted in favor of adopting one additional amendment. Both votes adopting changes to the NAIC valuation manual meet the requirements of Insurance Code §425.073(c).

In addition to clarifying existing provisions, the 2022 valuation manual includes changes to:

- allow for Principle-Based Reserving (PBR) for life insurers to include a prudent level of future mortality improvement, through the use of a scale that would be reviewed and adopted annually by the NAIC's Life Actuarial Task Force;
- modify the Life PBR Exemption to simplify filing requirements and to allow exemption of conversion-only or similar blocks;
- add individually underwritten group life insurance to the scope of Life PBR;
- revise experience reporting requirements to allow for data experience reporting to be performed by a reinsurer or third-party administrator;
- make requirements for materiality and model simplifications more consistent between Variable Annuity PBR and Life PBR; and
- add additional flexibility for mortality aggregation in Life PBR.

The NAIC's adopted changes to the valuation manual can 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, 2022, 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). The amendment to the section is described in the following paragraph.

**Amended §3.9901.** TDI has 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 14, 2020, to August 17, 2021.

**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.

Insurance Code §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 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 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 17, 2021, as required by Insurance Code §425.073.

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

# 2021-7120

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

Adopted Section  
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**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 8, 2021.

DocuSigned by:  
  
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James Person, General Counsel  
Texas Department of Insurance

The Commissioner adopts amended 28 TAC §3.9901.

DocuSigned by:  
  
FC5D7EDDFB4F8...  
Cassie Brown  
Commissioner of Insurance

Commissioner's Order No. **2021-7120**