

Subchapter RR. VALUATION MANUAL
28 TAC §3.9901

INTRODUCTION. The commissioner of the Texas Department of Insurance (TDI) adopts amended 28 TAC §3.9901, concerning the adoption of a valuation manual for reserving and related requirements. The amendment is adopted without changes to the proposed text published in the September 27, 2024 issue of the *Texas Register* (49 TexReg 7836).

REASONED JUSTIFICATION. An amendment 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. On August 15, 2024, the NAIC voted to adopt changes to the valuation manual. Fifty jurisdictions, representing jurisdictions totaling 97.81% of the relevant direct written premiums, voted in favor of

adopting the amendments to the valuation manual. The vote adopting changes to the NAIC valuation manual meets the requirements of Insurance Code §425.073(c).

In addition to clarifying existing provisions, the 2025 valuation manual includes changes that:

- require qualified actuaries for principle-based reserving to meet the American Academy of Actuaries' Specific Qualification Standard with respect to their opining areas;
- for credit disability, remove the 12% increase to claim incidence rates for credit disability, based on more recent experience;
- authorize the valuation rate for non-jumbo contracts (contracts of less than \$250 million) to be determined daily rather than quarterly;
- allow for the valuation rate for funding agreements to be determined monthly rather than annually;
- add explicit requirements for international mortality to principle-based reserving for life products; and
- allow for variable annuity principle-based reserving prescribed assumption updates, as ongoing maintenance.

The NAIC's adopted changes to the valuation manual can be viewed at https://content.naic.org/sites/default/files/pbr_data_valuation_manual_future_edition_re_dline.pdf.

Section 3.9901. The amendment to §3.9901 strikes the date on which the NAIC adopted its previous valuation manual and inserts the date on which the NAIC adopted its current valuation manual, adopting by reference the new valuation manual dated

August 15, 2024. An additional change lowercases the word "commissioner," for consistency with current agency style preferences.

This adoption order includes provisions related to NAIC rules, regulations, directives, or standards, and, under Insurance Code §36.004, TDI must consider whether authority exists to enforce or adopt it. In addition, under Insurance Code §36.007, an agreement that infringes on the authority of this state to regulate the business of insurance in this state has no effect unless the agreement is approved by the Texas Legislature. TDI has determined that neither Insurance Code §36.004 nor §36.007 prohibit the proposed rule because §425.073 requires the commissioner to adopt a manual that is substantially similar to the NAIC manual.

SUMMARY OF COMMENTS. TDI provided an opportunity for public comment on the rule proposal for a period that ended on October 28, 2024. TDI did not receive any comments on the proposed amendment.

STATUTORY AUTHORITY. The commissioner adopts amendments to §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.

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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 15, 2024, as required by Insurance Code §425.073.

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

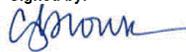
CERTIFICATION. This agency certifies that legal counsel has reviewed the adoption and found it to be a valid exercise of the agency's legal authority.

Issued at Austin, Texas, on December 3, 2024.

Signed by:

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Jessica Barta, General Counsel
Texas Department of Insurance

The amendment to 28 TAC §3.9901 is adopted.

Signed by:

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Cassie Brown
Commissioner of Insurance

Commissioner's Order No. 2024-8985