

2020 - 6227

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

Adopted Section  
Page 1 of 4

**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 22, 2019, issue of the *Texas Register* (44 TexReg 7126).

**REASONED JUSTIFICATION.** Section 425.073 of the Insurance Code 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). Section 425.073(c) further requires that any changes to the valuation manual must be substantially similar to changes adopted by the NAIC. The Commissioner must determine that the NAIC's vote approving the changes represent 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 insurance and accident and health annual statements, health annual statements, and fraternal annual statements.

TDI originally adopted the valuation manual in §3.9901 on December 29, 2016, in compliance with Insurance Code §425.073. On August 6, 2019, the NAIC adopted changes to the valuation manual with a vote meeting the requirements of Insurance Code §425.073(c). Therefore, TDI must adopt substantially similar changes to the valuation manual. The NAIC valuation manual, including the changes adopted through August 6, 2019, may be viewed at the following website: [www.naic.org/documents/cmte\\_a\\_latf\\_related\\_val\\_2020\\_edition.pdf](http://www.naic.org/documents/cmte_a_latf_related_val_2020_edition.pdf).

2020 - 6227

## TITLE 28. INSURANCE

## Part I. Texas Department of Insurance

## Chapter 3. Life, Accident, and Health Insurance and Annuities.

Adopted Section

Page 2 of 4

This version of the NAIC valuation manual includes non-substantive changes from the version referenced in the preamble to the proposed amendments. The NAIC corrected three typographical errors and added an explanatory sentence that had inadvertently been left out of the version of the NAIC valuation manual referenced in the proposal.

These corrections reflect the changes adopted on August 6, 2019, and therefore meet the requirements of Insurance Code §425.073(c). On page 49, a typographical error was corrected in the lapse rate formula at VM-20 §3.C.3.c.i, by replacing a "-" with a "/" in the ninth line from the bottom of the page. The line directly above the formula identifies the result of the formula is a ratio which requires a "/" On page 87, a typographical error was corrected in the second guidance note for VM-20 §9.C.3.g, by changing the reference located on the fifth line from the bottom from "9.C.2.g" to "9.C.2.h." On page 206, an explanatory sentence was inserted on the seventh and eight lines from the top. The sentence is "[f]or non-jumbo contracts, the quarterly statutory maximum valuation interest rate is the quarterly valuation rate (lq) rounded to the nearest one-fourth of one percent (1/4 of 1%)" and explains how the interest rate discussed on the previous page at VM-22 §3.C.3 is rounded. On page 238, a typographical error was corrected in the guidance note for VM-31 §3.D.1.a by changing the reference located on the nineteenth line from the bottom from "3.C.1.a" to "3.D.1.a."

**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

2020-6227

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

Adopted Section  
Page 3 of 4

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 6, 2019, 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 2/10/2020.

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

2020 - 6227

TITLE 28. INSURANCE

Part I. Texas Department of Insurance

Chapter 3. Life, Accident, and Health Insurance and Annuities.

Adopted Section

Page 4 of 4

The Commissioner adopts amended 28 TAC §3.9901.

DocuSigned by:  
*Kent Sullivan*  
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Kent C. Sullivan  
Commissioner of Insurance

2020 - 6227

Commissioner's Order No. \_\_\_\_\_