

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

INTRODUCTION. The Commissioner of Insurance adopts amended 28 TAC §3.9901, concerning changes to the valuation manual for reserving and related requirements. The amendment is adopted without changes to the proposed text published in the November 25, 2022, issue of the *Texas Register* (47 TexReg 7857).

REASONED JUSTIFICATION. Amendments to §3.9901 are necessary for compliance with Insurance Code §425.073, which requires the Commissioner to adopt by rule 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(c), when the NAIC adopts changes to the valuation manual, TDI must adopt substantially similar changes when the Commissioner determines 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 13, 2022, the NAIC voted to adopt changes to the valuation manual. Forty-six jurisdictions, representing jurisdictions totaling 93.8% 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 2023 valuation manual includes changes that:

- require a hedging strategy be a Clearly Defined Hedging Strategy if modeling future hedging reduces the reserves under Valuation Manual Chapter 20 (VM-20) or Total Asset Recovery under Valuation Manual Chapter 21 (VM-21);
- add guidance and requirements for general assumptions and expense assumptions in VM-21;
- update prescribed swap spreads guidance in VM-20 to facilitate the London Interbank Offered Rate transition to the Secured Overnight Financing Rate; and
- add fields to experience reporting to reflect the dividend plan code and COVID-19 indicator and the change field identifier.

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.

Effective January 1, 2023, the adopted manual can be viewed at the following website: content.naic.org/sites/default/files/pbr_data_valuation_manual_current_edition.pdf.

TDI's amendment to §3.9901 is described in the following paragraph.

Amended §3.9901. TDI amends §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 17, 2021, to August 13, 2022.

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

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

STATUTORY AUTHORITY. The Commissioner adopts amended §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 13, 2022, 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 27, 2022.

2022-7710

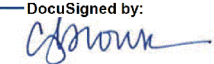
TITLE 28. INSURANCE
Part I. Texas Department of Insurance
Chapter 3. Life, Accident, and Health Insurance and Annuities

Adopted Section
Page 4 of 4

DocuSigned by:

D03DCB0BCCB94B6... _____
Allison Eberhart, Deputy 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. 2022-7710