

**SUBCHAPTER RR Valuation Manual
28 TAC §3.9901**

INTRODUCTION. The commissioner of insurance adopts amendments to 28 TAC §3.9901, concerning the valuation manual for reserving requirements. The amendment is adopted without changes to the proposed text published in the October 13, 2017, issue of the *Texas Register* (42 TexReg 5641). The Texas Department of Insurance (TDI) adopts §3.9901 with no changes to the proposed text.

REASONED JUSTIFICATION. The amendment is necessary to implement Insurance Code §425.073, which requires the commissioner to adopt a valuation manual that is substantially similar to the valuation manual approved by the National Association of Insurance Commissioners (NAIC). The NAIC Valuation Manual adopted by this rule may be viewed through the following link: www.naic.org/documents/cmte_a_latf_related_val_2018_edition_adopted_170808.pdf.

TDI adopted the NAIC Valuation Manual in §3.9901 in compliance with Insurance Code §425.073. Insurance Code §425.073(c) requires that once the commissioner adopts the valuation manual by rule, changes to the valuation manual must be adopted by rule and be substantially similar to changes adopted by the NAIC. The changes must be adopted with an effective date of no earlier than January 1 of the year immediately following a determination by the commissioner that changes to the valuation manual have been adopted by the NAIC. The NAIC's changes must be approved by an affirmative vote representing at least three-fourths of the members voting, but not less than a majority of the total membership, and by NAIC members representing jurisdictions totaling greater than 75 percent 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.

On August 9, 2017, the NAIC adopted changes to the NAIC Valuation Manual with a vote meeting the requirements set out in Insurance Code §425.073(c). On September 19, 2017, the commissioner issued Commissioner's Order No. 2017-5219, which determined that the NAIC vote met the §423.073(c) threshold requirements.

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The amended valuation manual provides updated reserving and reporting requirements for the valuation manual in order to make it substantially similar to changes adopted by the NAIC. The amendments are applicable January 1, 2018.

This rule includes provisions related to National Association of Insurance Commissioner rules, regulations, directives, or standards, and under Insurance Code §36.004 and §36.007, TDI must consider whether authority exists to enforce or adopt it. TDI has determined that it has the authority to adopt this amendment because Insurance Code §425.073 requires TDI to adopt a valuation manual and subsection (c) of the section expressly authorizes TDI to adopt changes to the valuation manual that are substantially similar to changes adopted by the NAIC.

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

STATUTORY AUTHORITY. The commissioner adopts the amendment under Insurance Code §425.073 and §36.001.

Section 425.073 provides that the commissioner shall adopt a valuation manual that is substantially similar to the valuation manual approved by the NAIC. The section further requires that changes to the valuation manual must be adopted by rule and must be substantially similar to changes adopted by the NAIC.

Insurance Code §36.001 provides that the commissioner may adopt any rules necessary and appropriate to implement the powers and duties of the Texas Department of Insurance under the Insurance Code and other laws of this state.

TEXT.

§3.9901. Adoption of Valuation Manual and Operative Date.

(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 9, 2017, as required by Insurance Code §425.073.

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

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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 6, 2017.

/s/ Norma Garcia
Norma Garcia
General Counsel
Texas Department of Insurance

The commissioner adopts amendments §3.9901.

/s/ Kent C. Sullivan
Kent C. Sullivan
Commissioner of Insurance

COMMISSIONER'S ORDER NO. **2017-5299**