

## **BILL ANALYSIS**

C.S.S.B. 1379  
By: Hancock  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

In order to sell certain life insurance and annuity products, life insurance companies and related entities are required to maintain and incorporate statutory reserves with respect to their future obligations. Interested parties note that the current process for setting outstanding policy and contract reserves has remained essentially the same for more than 30 years, and they contend that the current law relies on a one-size-fits-all approach that does not appropriately take into account differences in companies and the types of products they write. The assumptions used to set current reserves are mostly prescribed by statute even if individual company experience is materially different, resulting in statutory reserves that observers say are either too high or too low when compared to the amount reasonably necessary to pay future obligations. Given these inefficiencies, some life insurers have been forced to utilize reinsurance or other alternative mechanisms, such as captive insurance programs, in order to maintain reserves.

The National Association of Insurance Commissioners (NAIC) has adopted a revised Standard Valuation Law model for passage by state legislatures, which allows a state's insurance commissioner to permit companies to set outstanding policy and contract reserves using a principles-based reserving approach. The new model also requires companies to create various economic scenarios to ensure the appropriate level of reserves are maintained to meet their future obligations. C.S.S.B. 1379 seeks to update the state's standard valuation law to allow for the implementation of principles-based reserves for certain life insurance and annuity products, applying the statutory framework developed by the NAIC and permitting the Texas Department of Insurance to adopt the valuation model.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTIONS 6, 8, 15, and 16 of this bill.

### **ANALYSIS**

C.S.S.B. 1379 amends the Insurance Code to require the commissioner of insurance by order to adopt a manual of valuation for use by life insurance companies and related entities that write, issue, or reinsure life insurance contracts, annuity and pure endowment contracts, accident and health contracts, and deposit-type contracts and to determine the operative date of the valuation manual. The bill establishes that, for disability, accident and sickness, and accident and health insurance contracts issued before the operative date of the valuation manual, the minimum standard of valuation is the standard in existence before the operative date of the valuation manual and that the standard prescribed by the valuation manual for accident and health insurance contracts issued on or after the operative date of the valuation manual is the minimum standard of valuation required by the bill for such contracts. The bill requires the valuation manual adopted by the commissioner to be substantially similar to the valuation manual approved by the National Association of Insurance Commissioners (NAIC). The bill requires the operative date to be January 1 of the first calendar year immediately following a year in which, on or before July 1, the commissioner determines that the valuation manual has been adopted by

a specified minimum threshold of members of the NAIC or the NAIC Standard Model Valuation Law or substantively similar law has been enacted by a specified minimum threshold of states, as set out by the bill.

C.S.S.B. 1379 requires adoption by order of any changes to the adopted valuation manual to be substantially similar to changes adopted by the NAIC. The bill prohibits an effective date for changes to the valuation manual from being earlier than January 1 of the year immediately following the date on which the commissioner determines that the changes to the valuation manual have been adopted in the manner specified by the bill by an affirmative vote of a specified minimum threshold of members of the NAIC, unless a change in the valuation specifies a later date. The bill sets out the required content of the valuation manual, including the specification of certain minimum valuation standards for and definitions of certain policies and contracts, certain data requirements, and the application of principle-based valuation to certain policies and contracts. The bill prescribes the required minimum valuation standard specified in the valuation manual for policies that are not subject to a principle-based valuation standard. The bill requires a company, in the absence of a specific valuation requirement or if such a requirement in the valuation manual does not in the commissioner's opinion comply with statutory provisions regulating standard valuation, to comply with the minimum valuation standards prescribed by commissioner rule.

C.S.S.B. 1379 authorizes the commissioner to employ or contract with a qualified actuary, at the expense of an insurance company, to perform an actuarial examination of the company and provide an opinion concerning the appropriateness of any reserve assumption or method used by the company, or to review and provide an opinion on a company's compliance with any requirement of the Standard Valuation Law. The bill authorizes the commissioner to rely on the opinion of a qualified actuary engaged by the insurance supervisory official of another state regarding these matters. The bill authorizes the commissioner to require a company to change an assumption or method as necessary in the commissioner's opinion to comply with a requirement of the valuation manual or the Standard Valuation Law and authorizes the commissioner to take other disciplinary action as provided under statutory provisions relating to the imposition of sanctions.

C.S.S.B. 1379 requires a company to establish reserves using a principle-based valuation that meets the conditions for policies or contracts provided by the valuation manual and sets out the minimum criteria that the valuation is required to meet. The bill requires a company using a principle-based valuation for one or more of those policies or contracts to establish procedures for corporate governance and oversight of the actuarial valuation function consistent with procedures specified by the valuation manual; to provide to the commissioner and the company's board of directors an annual certification of the effectiveness of the internal controls with respect to the principle-based valuation; and to develop, and file with the commissioner on request, a principle-based valuation report that complies with standards prescribed in the valuation manual. The bill requires a company's internal controls with respect to the principle-based valuation to be designed to ensure that all material risks inherent in the liabilities and associated assets subject to the valuation are included in the valuation, and that valuations are made in accordance with the valuation manual. The bill requires the annual certification to be based on the controls in place as of the end of the preceding calendar year and authorizes a principle-based valuation to include a prescribed formulaic reserve component. The bill requires a company to submit mortality, morbidity, policyholder behavior, or expense experience and other data as prescribed in the valuation manual.

C.S.S.B. 1379 establishes that a company's confidential information, as defined by the bill, is confidential by law and privileged and is not subject to state public information law or subpoena, and is not subject to discovery or admissible in evidence in any private civil action, but authorizes the commissioner to use the confidential information in the furtherance of any regulatory or legal action brought against the company as a part of the commissioner's official duties. The bill establishes that neither the commissioner nor any person who received

confidential information while acting under the authority of the commissioner is permitted or required to testify in any private civil action concerning any confidential information. The bill authorizes the commissioner, in order to assist in the performance of the commissioner's duties, to share confidential information with other state, federal, and international agencies and with the NAIC and its affiliates and subsidiaries and to share confidential information other than experience data and experience materials with the Actuarial Board for Counseling and Discipline or its successor on request stating that the confidential information is required for the purpose of professional disciplinary proceedings and with state, federal, and international law enforcement officials provided that such recipient agrees, and has the legal authority to agree, to maintain the confidentiality and privileged status of such documents, materials, data, and other information in the same manner and to the same extent as required for the commissioner. The bill authorizes the commissioner to receive documents, materials, data, and other information, including otherwise confidential and privileged documents, materials, data, or information, from the NAIC and its affiliates and subsidiaries, from regulatory or law enforcement officials of other foreign or domestic jurisdictions and from the Actuarial Board for Counseling and Discipline or its successor, and requires the commissioner to maintain as confidential or privileged any document, material, data, or other information received with notice of the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material, or other information.

C.S.S.B. 1379 authorizes the commissioner to enter into agreements governing sharing and use of information consistent with the applicable provisions of the bill. The bill prohibits the waiving of any applicable privilege or claim of confidentiality in the confidential information as a result of disclosure to the commissioner or as a result of the authorized sharing of confidential information. The bill requires a privilege established under the law of any state or jurisdiction that is substantially similar to the privileges regarding confidential information set out by the bill to be available and enforced in any proceeding in Texas and in any Texas court. The bill establishes that in its provisions regarding confidentiality, a reference to a regulatory agency, law enforcement agency, or the NAIC includes an employee, agent, consultant, or contractor of the agency or association, as applicable. The bill establishes that certain confidential information other than experience data and experience materials is subject to subpoena for the purpose of defending an action seeking damages from an appointed actuary submitting a related memorandum in support of an actuarial opinion of reserves or a principle-based valuation report developed in compliance with standards prescribed in the valuation manual by reason of an action required by the Standard Valuation Law or by rules adopted or orders issued thereunder, and authorizes that confidential information for release by the commissioner with the written consent of the company. The bill establishes that all portions of a memorandum in support of an actuarial opinion of reserves after the operative date of the valuation manual or a principle-based valuation report cease to be confidential once any portion of the memorandum or report is cited by the company in its marketing or is publicly volunteered to or before a governmental agency other than a state insurance department or is released by the company to the news media.

C.S.S.B. 1379 authorizes the commissioner to exempt specific product forms or product lines of a domestic company that is licensed and doing business only in Texas from the requirements of the bill's provisions regarding the valuation manual for certain policies if the commissioner has issued an exemption in writing to the company and has not subsequently revoked the exemption and if the company computes reserves using assumptions and methods used before the operative date of the valuation manual in addition to any requirements established by the commissioner and adopted by rule.

C.S.S.B. 1379 specifies that the annual valuation of the reserves for all outstanding life insurance policies and annuity and pure endowment contracts of each life insurance company engaged in business in Texas applies to such policies issued before the operative date of the valuation manual. The bill removes provisions authorizing the Texas Department of Insurance (TDI) to certify the amount of those reserves, specifying the mortality table or tables, rate or rates of interest, and methods, including the net level premium method or another method, used in

computing those reserves. The bill authorizes TDI to accept any valuation made by or for the insurance supervisory official of another state or jurisdiction, instead of valuing the reserves as otherwise required for a foreign or alien company, if the valuation complies with the minimum standard provided by the Standard Valuation Law, and removes the additional requirement that the official accept as sufficient and valid for all legal purposes a certificate of valuation made by TDI that states the valuation was made in a specified manner according to which the aggregate reserves would be at least as large as they would if computed in the manner prescribed by the law of that state or jurisdiction. The bill establishes that policies and contracts issued on or after the operative date of the valuation manual are governed by the bill's provisions prescribing the valuation of policies and contracts issued on or after the operative date of the valuation manual. The bill clarifies that the minimum standards for the valuation of policies and contracts issued before the operative date of the valuation manual are as provided by certain statutory provisions and provisions of the bill, as applicable, but exempts such a policy or contract from the bill's provisions setting the standard prescribed by the valuation manual for accident and health insurance contracts issued on or after the operative date of the valuation manual as the minimum standard for valuation for accident and health insurance contracts and regarding policies issued on or after the operative date of the valuation manual and the requirements of a principle-based valuation.

C.S.S.B. 1379 requires the commissioner to annually value, or cause to be valued, the reserves for all outstanding life insurance contracts, annuity and pure endowment contracts, accident and health contracts, and deposit-type contracts of each company issued on or after the operative date of the valuation manual. The bill authorizes the commissioner, in lieu of the valuation of the reserves required of a foreign or alien company, to accept a valuation made, or caused to be made, by the insurance supervisory official of another state if the valuation complies with the minimum standards provided by the Standard Valuation Law. The bill establishes that the minimum standards for valuation of policies and contracts issued before the operative date of the valuation manual are as provided by applicable statutory provisions related to the computation of minimum standards and to lapsed rates in minimum standard of valuation, and exempts such a policy or contract from certain bill provisions related to the minimum standard of valuation for accident and health insurance contracts, policies issued on or after the date of the valuation manual, and the requirements of a principle-based valuation.

C.S.S.B. 1379, in provisions applicable only to an actuarial opinion of reserves before the operative date of the valuation manual, provides that any document or other information in the possession or control of TDI that is a memorandum in support of the opinion or other material provided by the company to the commissioner in connection with a memorandum, is confidential information and not subject to disclosure under state public information law, subpoena, discovery, or admissibility as evidence in a private civil action. The bill prohibits the commissioner or any person who receives such a document or other information while acting under the commissioner's authority from testifying or being compelled to testify in a private civil action concerning the document or other information. The bill sets out the commissioner's authority relating to sharing and receiving documents and information and entering into agreements governing the sharing and use of such documents and other information.

C.S.S.B. 1379 establishes that disclosing information or providing a document to the commissioner, or sharing information as authorized, does not result in a waiver of any applicable privilege or claim of confidentiality that could apply to the document or information. The bill authorizes a memorandum in support of the opinion, and any other material provided by the company to the commissioner in connection with the memorandum, to be subject to subpoena for the purpose of defending an action seeking damages from the actuary submitting the memorandum by reason of an action required by the bill's provisions regarding actuarial opinions of reserves required before the operative date of the valuation manual or rules adopted under such provisions. The bill authorizes the memorandum or other material provided by the company to the commissioner to otherwise be released by the commissioner with the written consent of the company, or to the Actuarial Board for Counseling and Discipline or its successor

on receipt of a request stating that the memorandum or other material is required for the purpose of professional disciplinary proceedings and setting forth procedures satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material. The bill establishes that the memorandum ceases to be confidential if any portion of the memorandum is cited by the company in its marketing or if the memorandum is cited by the company before a governmental agency other than a state insurance department or is released by the company to the news media. The bill does not prohibit the commissioner from using the information it acquires in the furtherance of a legal or regulatory action relating to the administration of the Insurance Code.

C.S.S.B. 1379, in provisions applicable to an actuarial opinion of reserves required after the operative date of the valuation manual, requires a company that has outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in Texas and is subject to TDI regulation to annually submit the opinion of the appointed actuary as to whether the reserves and related actuarial items held in support of the policies and contracts are computed appropriately, are based on assumptions that satisfy contractual provisions, are consistent with prior reported amounts, and are in compliance with applicable state laws. The bill requires such an opinion to comply with provisions of the valuation manual, including in regard to any items necessary to its scope. The bill requires such a company, unless exempted by the valuation manual, to include with the required opinion an opinion of the same appointed actuary concerning whether the reserves and related actuarial items held in support of the policies and contracts specified in the valuation manual make adequate provision for the company's obligations under the policies and contracts when considered in light of the assets held by the company with respect to the reserves and related actuarial items. The bill sets out the requirements for each actuarial opinion of reserves required after the operative date of the valuation manual. The bill, in the case of an opinion required to be submitted by a foreign or alien company, authorizes the commissioner to accept the opinion filed by the company with the insurance supervisory official of another state if the commissioner determines that the opinion reasonably meets the requirements applicable to a company domiciled in Texas. The bill requires the form and substance of each supporting memorandum to comply with the commissioner's rules for memorandums or the valuation manual for memorandums. The bill establishes that a person who certifies an actuarial opinion is not liable for damages to a person, other than the life insurance company covered by the opinion, for an act, error, omission, decision, or other conduct with respect to the person's opinion. The bill establishes that a person or company that certifies an opinion and that violates the provisions regulating such an opinion or rules adopted or orders issued under those provisions is subject to disciplinary actions under statutory provisions related to the imposition of sanctions.

C.S.S.B. 1379 requires the commissioner to determine whether the NAIC and a sufficient number of states and other jurisdictions have adopted a valuation manual and, as soon as practicable after making that determination, to adopt rules or issue orders as required by the bill.

C.S.S.B. 1379 defines "company" as an entity that has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in Texas and either has at least one such policy in force or on claim or has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in any state and is required to hold a certificate of authority to write life insurance, accident and health insurance, or deposit-type contracts in Texas. The bill defines "deposit-type contract" as a contract that does not incorporate mortality or morbidity risk and as may be specified in the valuation manual.

#### **EFFECTIVE DATE**

January 1, 2014.

## COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.S.B. 1379 may differ from the engrossed version in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the engrossed and committee substitute versions of the bill.

### SENATE ENGROSSED

SECTION 1. Section 425.052, Insurance Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

(a) In this subchapter:

(1) "Accident and health insurance" means contracts that incorporate morbidity risk and provide protection against economic loss resulting from accident, sickness, or medical conditions and as may be specified in the valuation manual.

(2) "Appointed actuary" means a qualified actuary who is appointed in accordance with the valuation manual to prepare the actuarial opinion required by Section 425.054.

(3) "Company" means an entity that:

(A) has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state and has at least one such policy in force or on claim; or

(B) has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in any state and is required to hold a certificate of authority to write life insurance, accident and health insurance, or deposit-type contracts in this state.

(4) "Deposit-type contract" means a contract that does not incorporate mortality or morbidity risk and as may be specified in the valuation manual.

(5) "Life insurance" means contracts that incorporate mortality risk, including annuity and pure endowment contracts, and as may be specified in the valuation manual.

(6) "Policyholder behavior" means any action a policyholder, a contract holder, or any other person with the right to elect options, such as a certificate holder, may take under a policy or contract subject to this subchapter, including lapse, withdrawal, transfer, deposit, premium payment, loan, annuitization, or benefit elections prescribed by the policy or contract but excluding events of mortality or morbidity that result in benefits prescribed in their essential

### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 425.052, Insurance Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

(a) In this subchapter:

(1) "Accident and health insurance" means contracts that incorporate morbidity risk and provide protection against economic loss resulting from accident, sickness, or medical conditions and as may be specified in the valuation manual.

(2) "Appointed actuary" means a qualified actuary who is appointed in accordance with the valuation manual to prepare the actuarial opinion required by Section 425.0545.

(3) "Company" means an entity that:

(A) has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state and has at least one such policy in force or on claim; or

(B) has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in any state and is required to hold a certificate of authority to write life insurance, accident and health insurance, or deposit-type contracts in this state.

(4) "Deposit-type contract" means a contract that does not incorporate mortality or morbidity risk and as may be specified in the valuation manual.

(5) "Life insurance" means contracts that incorporate mortality risk, including annuity and pure endowment contracts, and as may be specified in the valuation manual.

(6) "Policyholder behavior" means any action a policyholder, a contract holder, or any other person with the right to elect options, such as a certificate holder, may take under a policy or contract subject to this subchapter, including lapse, withdrawal, transfer, deposit, premium payment, loan, annuitization, or benefit elections prescribed by the policy or contract but excluding events of mortality or morbidity that result in benefits prescribed in their essential

aspects by the terms of the policy or contract.

(7) "Principle-based valuation" means the valuation described by Section 425.074.

(8) "Qualified actuary" means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the American Academy of Actuaries' qualification standards for actuaries signing such statements and who meets the requirements specified in the valuation manual.

(9) "Reserves" [, "reserves"] means reserve liabilities.

(10) "Tail risk" means a risk that occurs either where the frequency of low probability events is higher than expected under a normal probability distribution or where there are observed events of very significant size or magnitude.

(11) "Valuation manual" means the manual of valuation instructions adopted by the commissioner by **rule**.

(c) The definitions under Subsection (a) of "accident and health insurance," "appointed actuary," "company," "deposit-type contract," "life insurance," "policyholder behavior," "principle-based valuation," "qualified actuary," and "tail risk" apply only on and after the operative date of the valuation manual.

SECTION 2. The heading to Section 425.053, Insurance Code, is amended.

SECTION 3. Section 425.053, Insurance Code, is amended.

SECTION 4. Subchapter B, Chapter 425, Insurance Code, is amended.

SECTION 5. The heading to Section 425.054, Insurance Code, is amended.

SECTION 6. Section 425.054, Insurance Code, is amended by amending Subsection (a) and adding Subsections (a-1), (j), (k), (l), (m), (n), (o), (p), and (q) to read as follows:  
(a) This section applies only to an actuarial opinion of reserves before the operative date

aspects by the terms of the policy or contract.

(7) "Principle-based valuation" means the valuation described by Section 425.074.

(8) "Qualified actuary" means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the American Academy of Actuaries' qualification standards for actuaries signing such statements and who meets the requirements specified in the valuation manual.

(9) "Reserves" [, "reserves"] means reserve liabilities.

(10) "Tail risk" means a risk that occurs either where the frequency of low probability events is higher than expected under a normal probability distribution or where there are observed events of very significant size or magnitude.

(11) "Valuation manual" means the manual of valuation instructions adopted by the commissioner by **order**.

(c) The definitions under Subsection (a) of "accident and health insurance," "appointed actuary," "company," "deposit-type contract," "life insurance," "policyholder behavior," "principle-based valuation," "qualified actuary," and "tail risk" apply only on and after the operative date of the valuation manual.

SECTION 2. Same as engrossed version.

SECTION 3. Same as engrossed version.

SECTION 4. Same as engrossed version.

SECTION 5. Same as engrossed version.

SECTION 6. Section 425.054, Insurance Code, is amended by amending Subsection (a) and adding Subsections (a-1), (j), (k), (l), (m), (n), (o), (p), and (q) to read as follows:  
(a) This section applies only to an actuarial opinion of reserves before the operative date

of the valuation manual. Actuarial opinions of reserves on or after the operative date of the valuation manual are governed by Section 425.0545.

(a-1) For purposes of this section, "qualified actuary" means:

(1) a qualified actuary, as that term is defined by Section 802.002; or

(2) a person who, before September 1, 1993, satisfied the requirements of the former State Board of Insurance to submit an opinion under former Section 2A(a)(1), Article 3.28.

(j) Except as provided by Subsections (l), (n), (o), and (p), any document or other information in the possession or control of the department that is a memorandum in support of the opinion or other material provided by the company to the commissioner in connection with a memorandum is confidential and not subject to:

(1) disclosure under Chapter 552, Government Code;

(2) subpoena;

(3) discovery; or

(4) admissibility as evidence in a private civil action.

(k) The commissioner or any person who receives a document or other information described by Subsection (j) while acting under the authority of the commissioner may not testify and may not be compelled to testify in a private civil action concerning the document or other information.

(l) The commissioner may:

(1) share documents or other information, including the confidential documents or information described by Subsection (j), with another state, federal, or international regulatory agency, with the National Association of Insurance Commissioners and its affiliates and subsidiaries, and with state, federal, and international law enforcement authorities, provided that the recipient agrees to maintain the confidentiality of the document or information;

(2) receive documents or other information, including confidential documents or information, from the National Association of Insurance Commissioners and its affiliates and subsidiaries, and from regulatory and law enforcement officials of other foreign or domestic jurisdictions,

of the valuation manual.

(a-1) For purposes of this section, "qualified actuary" means:

(1) a qualified actuary, as that term is defined by Section 802.002; or

(2) a person who, before September 1, 1993, satisfied the requirements of the former State Board of Insurance to submit an opinion under former Section 2A(a)(1), Article 3.28.

(j) Except as provided by Subsections (l), (n), (o), and (p), any document or other information in the possession or control of the department that is a memorandum in support of the opinion or other material provided by the company to the commissioner in connection with a memorandum is confidential and not subject to:

(1) disclosure under Chapter 552, Government Code;

(2) subpoena;

(3) discovery; or

(4) admissibility as evidence in a private civil action.

(k) The commissioner or any person who receives a document or other information described by Subsection (j) while acting under the authority of the commissioner may not testify and may not be compelled to testify in a private civil action concerning the document or other information.

(l) The commissioner may:

(1) share documents or other information, including the confidential **and privileged** documents or information described by Subsection (j), with another state, federal, or international regulatory agency, with the National Association of Insurance Commissioners and its affiliates and subsidiaries, and with state, federal, and international law enforcement authorities, provided that the recipient agrees to maintain the confidentiality of the document or information;

(2) receive documents or other information, including confidential documents or information, from the National Association of Insurance Commissioners and its affiliates and subsidiaries, and from regulatory and law enforcement officials of other foreign or domestic jurisdictions,



provided that the commissioner shall maintain as confidential any document or information received with notice or understanding that it is confidential under the laws of the jurisdiction that is the source of the document or information; and

(3) enter into agreements governing sharing and use of documents and other information consistent with this section.

(m) Disclosing information or providing a document to the commissioner under this section, or sharing information as authorized under this section, does not result in a waiver of any applicable privilege or claim of confidentiality that may apply to the document or information.

(n) A memorandum in support of the opinion, and any other material provided by the company to the commissioner in connection with the memorandum, may be subject to subpoena for the purpose of defending an action seeking damages from the actuary submitting the memorandum by reason of an action required by this section or rules adopted under this section.

(o) The memorandum or other material provided by the company to the commissioner in connection with the memorandum may otherwise be released by the commissioner with the written consent of the company, or to the American Academy of Actuaries on receipt of a request stating that the memorandum or other material is required for the purpose of professional disciplinary proceedings and setting forth procedures satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material.

(p) The memorandum ceases to be confidential if:

(1) any portion of the memorandum is cited by the company in its marketing;

(2) the memorandum is cited by the company before a government agency other than a state insurance department; or

(3) the memorandum is released by the company to the news media.

(q) This section does not prohibit the commissioner from using information acquired under this section in the furtherance of a legal or regulatory action relating to the administration of this code.

provided that the commissioner shall maintain as confidential any document or information received with notice or understanding that it is confidential under the laws of the jurisdiction that is the source of the document or information; and

(3) enter into agreements governing sharing and use of documents and other information consistent with this section.

(m) Disclosing information or providing a document to the commissioner under this section, or sharing information as authorized under this section, does not result in a waiver of any applicable privilege or claim of confidentiality that may apply to the document or information.

(n) A memorandum in support of the opinion, and any other material provided by the company to the commissioner in connection with the memorandum, may be subject to subpoena for the purpose of defending an action seeking damages from the actuary submitting the memorandum by reason of an action required by this section or rules adopted under this section.

(o) The memorandum or other material provided by the company to the commissioner in connection with the memorandum may otherwise be released by the commissioner with the written consent of the company, or to the Actuarial Board for Counseling and Discipline or its successor on receipt of a request stating that the memorandum or other material is required for the purpose of professional disciplinary proceedings and setting forth procedures satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material.

(p) The memorandum ceases to be confidential if:

(1) any portion of the memorandum is cited by the company in its marketing;

(2) the memorandum is cited by the company before a government agency other than a state insurance department; or

(3) the memorandum is released by the company to the news media.

(q) This section does not prohibit the commissioner from using information acquired under this section in the furtherance of a legal or regulatory action relating to the administration of this code.

SECTION 7. Subchapter B, Chapter 425, Insurance Code, is amended.

SECTION 8. Subsection (a), Section 425.055, Insurance Code, is amended to read as follows:

(a) A memorandum [~~that, in form and substance, complies with the commissioner's rules~~] shall be prepared to support each actuarial opinion required by Section 425.054 or 425.0545. The form and substance of each supporting memorandum must comply with the commissioner's rules and, for actuarial opinions subject to Section 425.0545, the valuation manual.

SECTION 9. Subsection (a), Section 425.056, Insurance Code, is amended.

SECTION 10. Section 425.057, Insurance Code, is amended to read as follows:

Sec. 425.057. DISCIPLINARY ACTION: COMPANY OR PERSON CERTIFYING OPINION. A company or person that certifies an opinion under Section 425.054 or 425.0545 and that violates Section 425.054, 425.0545, or 425.055 or rules adopted under those sections is subject to disciplinary action under Chapter 82.

SECTION 11. The heading to Section 425.058, Insurance Code, is amended.

SECTION 12. The heading to Section 425.059, Insurance Code, is amended.

SECTION 13. The heading to Section 425.064, Insurance Code, is amended.

SECTION 14. The heading to Section 425.065, Insurance Code, is amended.

SECTION 15. Subchapter B, Chapter 425, Insurance Code, is amended by adding Sections 425.072, 425.073, 425.074,

SECTION 7. Same as engrossed version.

SECTION 8. Section 425.055(a), Insurance Code, is amended to read as follows:

(a) A memorandum [~~that, in form and substance, complies with the commissioner's rules~~] shall be prepared to support each actuarial opinion required by Section 425.054 or 425.0545. The form and substance of each supporting memorandum must comply with the commissioner's rules for memorandums subject to Section 425.054, or the valuation manual for memorandums subject to Section 425.0545.

SECTION 9. Same as engrossed version except for recitation.

SECTION 10. Section 425.057, Insurance Code, is amended to read as follows:

Sec. 425.057. DISCIPLINARY ACTION: COMPANY OR PERSON CERTIFYING OPINION. A company or person that certifies an opinion under Section 425.054 or 425.0545 and that violates Section 425.054, 425.0545, or 425.055 or rules adopted or orders issued under those sections is subject to disciplinary action under Chapter 82.

SECTION 11. Same as engrossed version.

SECTION 12. Same as engrossed version.

SECTION 13. Same as engrossed version.

SECTION 14. Same as engrossed version.

SECTION 15. Subchapter B, Chapter 425, Insurance Code, is amended by adding Sections 425.072, 425.073, 425.074,

425.075, 425.076, and 425.077 to read as follows:

Sec. 425.072. MINIMUM STANDARD FOR ACCIDENT AND HEALTH INSURANCE CONTRACTS.

Sec. 425.073. VALUATION MANUAL FOR CERTAIN POLICIES. (a) Except as otherwise provided by this section, for policies issued on or after the operative date of the valuation manual, the standard prescribed by the valuation manual is the minimum standard of valuation required under Section 425.0535.

(b) The commissioner by rule shall adopt a valuation manual and determine the operative date of the valuation manual. A valuation manual adopted by the commissioner under this section must be substantially similar to the valuation manual approved by the National Association of Insurance Commissioners. The operative date must be January 1 of the first calendar year immediately following a year in which, on or before July 1, the commissioner determines that:

(1) the valuation manual has been adopted by the National Association of Insurance Commissioners by an affirmative vote of at least 42 members, or three-fourths of the members voting, whichever is greater;

(2) the National Association of Insurance Commissioners Standard Valuation Model Law, as amended by the National Association of Insurance Commissioners in 2009, or legislation including substantially similar terms and provisions, has been enacted by states representing greater than 75 percent of the direct premiums written as reported in the following annual statements submitted for 2008:

(A) life insurance and accident and health annual statements;

(B) health annual statements; or

(C) fraternal annual statements; and

(3) the National Association of Insurance Commissioners Standard Valuation Model Law, as amended by the National Association of Insurance Commissioners in 2009, or legislation including substantially similar terms and provisions, has been enacted by at least 42 of the following 55 jurisdictions:

(A) the 50 United States;

425.075, 425.076, and 425.077 to read as follows:

Sec. 425.072. MINIMUM STANDARD FOR ACCIDENT AND HEALTH INSURANCE CONTRACTS.

Sec. 425.073. POLICIES ISSUED ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL. (a) Except as otherwise provided by this section, for policies issued on or after the operative date of the valuation manual, the standard prescribed by the valuation manual is the minimum standard of valuation required under Section 425.0535.

(b) The commissioner by order shall adopt a valuation manual and determine the operative date of the valuation manual. A valuation manual adopted by the commissioner under this section must be substantially similar to the valuation manual approved by the National Association of Insurance Commissioners. The operative date must be January 1 of the first calendar year immediately following a year in which, on or before July 1, the commissioner determines that:

(1) the valuation manual has been adopted by the National Association of Insurance Commissioners by an affirmative vote of at least 42 members, or three-fourths of the members voting, whichever is greater;

(2) the National Association of Insurance Commissioners Standard Model Valuation Law, as amended by the National Association of Insurance Commissioners in 2009, or legislation including substantially similar terms and provisions, has been enacted by states representing greater than 75 percent of the direct premiums written as reported in the following annual statements submitted for 2008:

(A) life insurance and accident and health annual statements;

(B) health annual statements; or

(C) fraternal annual statements; and

(3) the National Association of Insurance Commissioners Standard Model Valuation Law, as amended by the National Association of Insurance Commissioners in 2009, or legislation including substantially similar terms and provisions, has been enacted by at least 42 of the following 55 jurisdictions:

(A) the 50 United States;

- (B) American Samoa;
- (C) the United States Virgin Islands;
- (D) the District of Columbia;
- (E) Guam; and
- (F) Puerto Rico.

(c) After a valuation manual has been adopted by the commissioner by rule, any changes to the valuation manual must be adopted by rule and must be consistent with changes adopted by the National Association of Insurance Commissioners. Unless a change in the valuation specifies a later effective date, the effective date for changes to the valuation manual may not be earlier than January 1 of the year immediately following the date on which the commissioner determines that the changes to the valuation manual have been adopted by the National Association of Insurance Commissioners by an affirmative vote representing:

- (1) at least three-fourths of the members of the National Association of Insurance Commissioners voting, but not less than a majority of the total membership; and
- (2) members of the National Association of Insurance Commissioners representing jurisdictions totaling greater than 75 percent of the direct premiums written as reported in the most recently available annual statements as provided by Subsection (b)(2).

(d) The valuation manual must specify:

(1) the minimum valuation standards for and definitions of the policies or contracts subject to Section 425.0535, including:

- (A) the commissioner's reserve valuation method for life insurance contracts subject to Section 425.0535;
- (B) the commissioner's annuity reserve valuation method for annuity contracts subject to Section 425.0535; and
- (C) the minimum reserves for all other policies or contracts subject to Section 425.0535;

(2) the policies or contracts that are subject to the requirements of a principle-based valuation under Section 425.074 and the minimum valuation standards consistent with those requirements, including:

(A) the requirements for the format of reports to the commissioner under Section 425.074(b)(3), which must include the information necessary to determine if a valuation is appropriate and in compliance

- (B) American Samoa;
- (C) the United States Virgin Islands;
- (D) the District of Columbia;
- (E) Guam; and
- (F) Puerto Rico.

(c) After a valuation manual has been adopted by the commissioner by order, any changes to the valuation manual must be adopted by order and must be substantially similar to changes adopted by the National Association of Insurance Commissioners. Unless a change in the valuation specifies a later effective date, the effective date for changes to the valuation manual may not be earlier than January 1 of the year immediately following the date on which the commissioner determines that the changes to the valuation manual have been adopted by the National Association of Insurance Commissioners by an affirmative vote representing:

- (1) at least three-fourths of the members of the National Association of Insurance Commissioners voting, but not less than a majority of the total membership; and
- (2) members of the National Association of Insurance Commissioners representing jurisdictions totaling greater than 75 percent of the direct premiums written as reported in the most recently available annual statements as provided by Subsections (b)(2)(A)-(C).

(d) The valuation manual must specify:

(1) the minimum valuation standards for and definitions of the policies or contracts subject to Section 425.0535, including:

- (A) the commissioner's reserve valuation method for life insurance contracts subject to Section 425.0535;
- (B) the commissioner's annuity reserve valuation method for annuity contracts subject to Section 425.0535; and
- (C) the minimum reserves for all other policies or contracts subject to Section 425.0535;

(2) the policies or contracts that are subject to the requirements of a principle-based valuation under Section 425.074 and the minimum valuation standards consistent with those requirements, including:

(A) the requirements for the format of reports to the commissioner under Section 425.074(b)(3), which must include the information necessary to determine if a valuation is appropriate and in compliance

with this subchapter;

(B) the assumptions prescribed for risks over which the company does not have significant control or influence; and

(C) the procedures for corporate governance and oversight of the actuarial function, and a process for appropriate waiver or modification of the procedures;

(3) the policies that are not subject to a principle-based valuation under Section 425.074;

(4) the data and form of data required under Section 425.074, to whom the data must be submitted, and other desired requirements, including requirements concerning data analyses and reporting of analyses; and

(5) other requirements, including requirements relating to reserve methods, models for measuring risk, generation of economic scenarios, assumptions, margins, use of company experience, disclosure, certification, reports, actuarial opinions and memorandums, transition rules, and internal controls.

(e) With respect to policies that are not subject to a principle-based valuation under Section 425.074 as described by Subsection (d)(3), the minimum valuation standard specified in the valuation manual must:

(1) be consistent with the minimum valuation standard before the operative date of the valuation manual; or

(2) develop reserves that quantify the benefits and guarantees, and the funding, associated with the contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring.

(f) In the absence of a specific valuation requirement or if a specific valuation requirement in the valuation manual does not in the commissioner's opinion comply with this subchapter, the company shall, with respect to the requirement, comply with minimum valuation standards prescribed by the commissioner by rule.

(g) The commissioner may employ or contract with a qualified actuary, at the expense of the company, to perform an actuarial examination of the company and provide an opinion concerning the appropriateness of any reserve assumption or method used by the company, or to review and provide an opinion on a

with this subchapter;

(B) the assumptions prescribed for risks over which the company does not have significant control or influence; and

(C) the procedures for corporate governance and oversight of the actuarial function, and a process for appropriate waiver or modification of the procedures;

(3) the policies that are not subject to a principle-based valuation under Section 425.074;

(4) the data and form of data required under Section 425.074, to whom the data must be submitted, and other desired requirements, including requirements concerning data analyses and reporting of analyses; and

(5) other requirements, including requirements relating to reserve methods, models for measuring risk, generation of economic scenarios, assumptions, margins, use of company experience, disclosure, certification, reports, actuarial opinions and memorandums, transition rules, and internal controls.

(e) With respect to policies that are not subject to a principle-based valuation under Section 425.074 as described by Subsection (d)(3), the minimum valuation standard specified in the valuation manual must:

(1) be consistent with the minimum valuation standard before the operative date of the valuation manual; or

(2) develop reserves that quantify the benefits and guarantees, and the funding, associated with the contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring.

(f) In the absence of a specific valuation requirement or if a specific valuation requirement in the valuation manual does not in the commissioner's opinion comply with this subchapter, the company shall, with respect to the requirement, comply with minimum valuation standards prescribed by the commissioner by rule.

(g) The commissioner may employ or contract with a qualified actuary, at the expense of the company, to perform an actuarial examination of the company and provide an opinion concerning the appropriateness of any reserve assumption or method used by the company, or to review and provide an opinion on a

company's compliance with any requirement of this subchapter. The commissioner may rely on the opinion, regarding provisions contained within this subchapter, of a qualified actuary engaged by the insurance supervisory official of another state.

(h) The commissioner may require a company to change an assumption or method as necessary in the commissioner's opinion to comply with a requirement of the valuation manual or this subchapter.

(i) The commissioner may take other disciplinary action as permitted under Chapter 82.

Sec. 425.074. PRINCIPLE-BASED VALUATION REQUIRED.

Sec. 425.075. EXPERIENCE REPORTING FOR POLICIES IN FORCE ON OR AFTER OPERATIVE DATE OF VALUATION MANUAL.

Sec. 425.076. CONFIDENTIALITY. (a) This section applies to:

(1) a memorandum in support of an opinion submitted under Section 425.0545;

(2) a principle-based valuation report developed under Section 425.074(b)(3);

(3) any documents or other information, produced or obtained by or disclosed to the commissioner or any other person:

(A) in connection with the memorandum or principle-based valuation report;

(B) in the course of an examination made under Section 425.073(g), except that if an examination report or other material prepared in connection with an examination made under Subchapter B, Chapter 401, is not held as privileged and confidential under Chapter 401, an examination report or other material prepared in connection with an examination made under Section 425.073(g) is not confidential to the same extent as if the examination report or other material had been prepared under Subchapter B, Chapter 401;

company's compliance with any requirement of this subchapter. The commissioner may rely on the opinion, regarding provisions contained within this subchapter, of a qualified actuary engaged by the insurance supervisory official of another state.

(h) The commissioner may require a company to change an assumption or method as necessary in the commissioner's opinion to comply with a requirement of the valuation manual or this subchapter.

(i) The commissioner may take other disciplinary action as permitted under Chapter 82.

Sec. 425.074. Substantially the same as engrossed version.

Sec. 425.075. EXPERIENCE REPORTING FOR POLICIES IN FORCE ON OR AFTER OPERATIVE DATE OF VALUATION MANUAL.

Sec. 425.076. CONFIDENTIALITY. (a) In this section, "confidential information" means:

(1) a memorandum in support of an opinion submitted under Section 425.0545 and any other documents, materials, and other information, including, but not limited to, all working papers, and copies thereof, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with such memorandum;

(2) all documents, materials, and other information, including, but not limited to, all working papers, and copies thereof, created, produced, or obtained by or disclosed to the commissioner or any other person in the course of an examination made under Section 425.073(g); provided, however, that if an examination report or other material prepared in connection with an examination made under Subchapter B, Chapter 401, is not held as private and confidential information under Subchapter B, Chapter 401, an examination report or other material prepared in connection with an examination made under Section 425.073(g) shall not be "confidential information" to the same extent as if such examination report or other material had been prepared under Subchapter B, Chapter 401;

(3) any reports, documents, materials, and

(C) in support of, or in connection with, an annual certification by the company under Section 425.074(b)(2) evaluating the effectiveness of the company's internal controls with respect to a principle-based valuation; or

(D) in the development of a principle-based valuation report developed under Section 425.074(b)(3); and

(4) any documents or other information submitted by the company under Section 425.074, or documents or information created, produced, or obtained by the commissioner in connection with the submissions, including experience data to the extent that the data contain information that could potentially identify a company or individual.

(b) Except as provided by this section, a memorandum and any documents or other information described by Subsection (a) are:

(1) confidential and not subject to disclosure under Chapter 552, Government Code;

(2) privileged from subpoena; and

(3) privileged from discovery and inadmissible as evidence in a private civil

other information developed by a company in support of, or in connection with, an annual certification by the company under Section 425.074(b)(2) evaluating the effectiveness of the company's internal controls with respect to a principle-based valuation and any other documents, materials, and other information, including, but not limited to, all working papers, and copies thereof, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with such reports, documents, materials, and other information;

(4) any principle-based valuation report developed under Section 425.074(b)(3) and any other documents, materials, and other information, including, but not limited to, all working papers, and copies thereof, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with such report; and

(5) any documents, materials, data, and other information submitted by a company under Section 425.075 (collectively, "experience data") and any other documents, materials, data, and other information, including, but not limited to, all working papers, and copies thereof, created or produced in connection with such experience data, in each case that include any potentially company-identifying or personally identifiable information, that is provided to or obtained by the commissioner (together with any "experience data," the "experience materials") and any other documents, materials, data, and other information, including, but not limited to, all working papers, and copies thereof, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with such experience materials.

(b) Except as provided in this section, a company's confidential information is confidential by law and privileged, and shall not be subject to Chapter 552, Government Code, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action;

action.

(c) This section does not prohibit the commissioner from using information acquired under this section in the furtherance of a legal or regulatory action relating to the administration of this code.

(d) The commissioner or any person who receives a document or other information described by Subsection (a) while acting under the authority of the commissioner may not testify and may not be compelled to testify in a private civil action concerning the content of the document or other information.

(e) Subject to Subsection (f), the commissioner may share information described by Subsection (a) with:

(1) another state, federal, or international regulatory agency;

(2) the National Association of Insurance Commissioners and its affiliates and subsidiaries;

(3) in the case of information described by Subsection (a)(1) or (2), the Actuarial Board for Counseling and Discipline or its successor on receipt of a request stating that the information is required for the purpose of professional disciplinary proceedings; and

(4) state, federal, and international law enforcement officials.

(f) With respect to Subsections (e)(1), (2), and (3), the commissioner may not share documents or other information described by Subsection (a) unless the recipient agrees and has the legal authority to agree to maintain the confidentiality and privileged status of the documents or information in the same manner and to the same extent as is required for the commissioner.

(g) The commissioner may receive documents and other information, including otherwise confidential and privileged documents or information, from the National Association of Insurance Commissioners and its affiliates and subsidiaries, from regulatory or law enforcement officials of other foreign or domestic jurisdictions, and from the Actuarial Board for Counseling and Discipline or its successor, and shall maintain as confidential or privileged any document or other information received with notice or the understanding that it is

provided, however, that the commissioner is authorized to use the confidential information in the furtherance of any regulatory or legal action brought against the company as a part of the commissioner's official duties.

(c) Neither the commissioner nor any person who received confidential information while acting under the authority of the commissioner shall be permitted or required to testify in any private civil action concerning any confidential information.

(d) In order to assist in the performance of the commissioner's duties, the commissioner may share confidential information

(1) with other state, federal, and international regulatory agencies and with the National Association of Insurance Commissioners and its affiliates and subsidiaries and

(2) in the case of confidential information specified in Subsections (a)(1) and (a)(4) only, with the Actuarial Board for Counseling and Discipline or its successor upon request stating that the confidential information is required for the purpose of professional disciplinary proceedings and with state, federal, and international law enforcement officials; in the case of (1) and (2), provided that such recipient agrees, and has the legal authority to agree, to maintain the confidentiality and privileged status of such documents, materials, data, and other information in the same manner and to the same extent as required for the commissioner.

(e) The commissioner may receive documents, materials, data, and other information, including otherwise confidential and privileged documents, materials, data, or information, from the National Association of Insurance Commissioners and its affiliates and subsidiaries, from regulatory or law enforcement officials of other foreign or domestic jurisdictions and from the Actuarial Board for Counseling and Discipline or its successor and shall maintain as confidential or privileged any



confidential or privileged under the laws of the jurisdiction that is the source of the document or other information.

(h) The commissioner may enter agreements governing sharing and use of information consistent with **this section**.

(i) Disclosing information or providing a document to the commissioner under this section, or sharing information as authorized under this section, does not result in a waiver of any applicable privilege or claim of confidentiality that may apply to the document or information.

(j) A privilege established under the law of any state or jurisdiction that is substantially similar to the privilege established under **this section is enforceable in any proceeding in, and in any court of, this state.**

(k) In this section, a reference to a regulatory agency, law enforcement agency, or the National Association of Insurance Commissioners includes an employee, agent, consultant, or contractor of the agency or association, as applicable.

(l) Notwithstanding this section, any confidential information specified in **Subsection (a)** may be:

(1) subject to subpoena for the purpose of defending an action seeking damages from the appointed actuary submitting the related memorandum in support of an opinion submitted under Section 425.054 or 425.0545 or a principle-based valuation report developed under Section 425.074(b)(3) by reason of an action required by this subchapter or by rules adopted under this subchapter; and

(2) released by the commissioner with the written consent of the company.

(m) A memorandum in support of an opinion submitted under Section 425.0545 or a principle-based valuation report developed under Section 425.074(b)(3) ceases to be confidential if:

(1) any portion of the memorandum or report is cited by the company in its marketing;

(2) the company publicly volunteers the memorandum or report to a government agency other than a state insurance

document, **material, data,** or other information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, **material,** or other information.

(f) The commissioner may enter into agreements governing sharing and use of information consistent with **Subsections (b) through (k)**.

(g) No waiver of any applicable privilege or claim of confidentiality in the confidential information shall occur as a result of disclosure to the commissioner under this section or as a result of sharing as authorized in Subsection (d).

(h) A privilege established under the law of any state or jurisdiction that is substantially similar to the privilege established under **Subsections (b) through (k) shall be available and enforced in any proceeding in, and in any court of, this state.**

(i) In this section, a reference to a regulatory agency, law enforcement agency, or the National Association of Insurance Commissioners includes an employee, agent, consultant, or contractor of the agency or association, as applicable.

(j) Notwithstanding this section, any confidential information specified in **Subsections (a)(1) and (a)(4)** may be:

(1) subject to subpoena for the purpose of defending an action seeking damages from the appointed actuary submitting the related memorandum in support of an opinion submitted under Section 425.054 or 425.0545 or a principle-based valuation report developed under Section 425.074(b)(3) by reason of an action required by this subchapter or by rules adopted **or orders issued** under this subchapter; and

(2) released by the commissioner with the written consent of the company.

(k) Once any portion of a memorandum in support of an opinion submitted under Section 425.0545 or a principle-based valuation report developed under Section 425.074(b)(3) is cited by the company in its marketing or is publicly volunteered to or before a governmental agency other than a state insurance department or is released by the company to the news media, all portions of such memorandum or report shall no

department; or

(3) the memorandum or report is released by the company to the news media.

Sec. 425.077. SINGLE STATE EXEMPTION. (a) The commissioner may exempt specific product forms or product lines of a domestic company that is licensed and doing business only in this state from the requirements of Section 425.073 if:

(1) the commissioner has issued an exemption in writing to the company and has not subsequently revoked the exemption in writing; and

(2) the company computes reserves using assumptions and methods used before the operative date of the valuation manual in addition to any requirements established by the commissioner and adopted by rule.

(b) Sections 425.058 through 425.071 and Section 425.072(b) apply to a company granted an exemption under this section.

SECTION 16. The commissioner of insurance shall determine whether the National Association of Insurance Commissioners and a sufficient number of states and other jurisdictions have adopted a valuation manual as required by Subsection (b), Section 425.073, Insurance Code, as added by this Act. As soon as practicable after the commissioner of insurance determines that the National Association of Insurance Commissioners and a sufficient number of states and other jurisdictions have adopted the valuation manual as required by that section, the commissioner of insurance shall adopt rules necessary to implement this Act.

SECTION 17. This Act takes effect January 1, 2014.

longer be confidential.

Sec. 425.077. SINGLE STATE EXEMPTION. The commissioner may exempt specific product forms or product lines of a domestic company that is licensed and doing business only in this state from the requirements of Section 425.073 if:

(1) the commissioner has issued an exemption in writing to the company and has not subsequently revoked the exemption in writing; and

(2) the company computes reserves using assumptions and methods used before the operative date of the valuation manual in addition to any requirements established by the commissioner and adopted by rule.

SECTION 16. The commissioner of insurance shall determine whether the National Association of Insurance Commissioners and a sufficient number of states and other jurisdictions have adopted a valuation manual as required by Section 425.073(b), Insurance Code, as added by this Act. As soon as practicable after the commissioner of insurance determines that the National Association of Insurance Commissioners and a sufficient number of states and other jurisdictions have adopted the valuation manual as required by that section, the commissioner of insurance shall adopt rules **or issue orders** necessary to implement this Act.

SECTION 17. Same as engrossed version.