

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 16, 2013**

**TO:** Honorable Robert Duncan, Chair, Senate Committee on State Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB1379 by Hancock (Relating to the standard valuation for life insurance, accident and health insurance, and annuities.), **Committee Report 1st House, Substituted**

**No significant fiscal implication to the State is anticipated.**

The bill would amend the Insurance Code relating to the standard valuation for life insurance, accident and health insurance, and annuities. The bill would require TDI to annually value the reserves for all outstanding life insurance policies and annuities issued on or after June 10, 1963 and before the date of the valuation manual. All other policies issued after the operative date of the valuation manual are governed by Section 425.0535 of the Insurance Code. The bill would prohibit the Commissioner of Insurance or any person who receives a document or other information described within this chapter from testifying and cannot be compelled to testify in a private civil action concerning the content of the document. The bill would allow the Commissioner of Insurance to share certain documents and other information with another state, federal, or international regulatory agency, and the National Association of Insurance Commissioners (NAIC) and its affiliates and subsidiaries.

The bill would require certain companies to annually submit the opinion of an appointed actuary as to whether the reserves and related actuarial items held in support of policies and contracts are computed appropriately and are in compliance with applicable laws of this state as well as the valuation manual. The bill would require a reporting company to submit a supporting memorandum in accordance with the valuation manual to support each actuarial opinion. The bill would require that each opinion required and offered by a company be submitted with the annual statement apply to all policies and contracts and be based on standards adopted by the Actuarial Standards Board.

The bill would require that the minimum standard for certain accident and health insurance contracts be those prescribed by the valuation manual. The bill would allow the Commissioner of Insurance to adopt a valuation manual and determine the operative date of the manual. The manual must be similar to the valuation manual approved by NAIC. Any changes to the valuation manual must be adopted by rule and must be consistent with changes adopted by NAIC.

The bill would require that a company establish reserves using a principle-based valuation method that meets the conditions for policies or contracts provided by the valuation manual. The bill would further require that a company submit mortality, morbidity, policyholder behavior, or expense experience and other data prescribed in the valuation manual. The bill would allow the Commissioner of Insurance to exempt specific product forms and product lines of a domestic company from the requirements of the valuation manual.

Based on information provided by TDI, this analysis assumes that implementing the provisions of the bill would increase the amount of time needed to complete the annual review of actuarial opinions and memorandums conducted by the agency; however, it is assumed that all duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing staff and resources.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 454 Department of Insurance

**LBB Staff:** UP, AG, MW, ER