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| BILL ANALYSIS |

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| H.B. 3673 |
| By: Perez |
| Insurance |
| Committee Report (Unamended) |

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| **BACKGROUND AND PURPOSE** Under state law, the commissioner of insurance must adopt a valuation manual for reserving and related requirements. However, the principle-based reserving exemption qualifications in state law differ from the exemption qualifications currently in the National Association of Insurance Commissioners (NAIC) valuation manual, thus creating an inconsistency. H.B. 3673 seeks to align state law with recent valuation manual changes to maintain accreditation and allow companies in Texas to be exempt from principle-based reserving requirements under certain conditions. Furthermore, the bill would make the qualifications for the principle-based reserving exemption consistent with the updated NAIC valuation manual by eliminating references to specific premium thresholds for the life principle-based reserving exemption. |
| **CRIMINAL JUSTICE IMPACT**It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY** It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution. |
| **ANALYSIS** H.B. 3673 amends the Insurance Code to remove the requirement that the valuation manual prescribing the minimum standard of valuation for certain life insurance, accident and health insurance, and deposit-type policies specify the premium thresholds used to determine the applicability of an exemption allowing for certain companies to value reserves based on an exception from requirements of the valuation manual and principle-based valuation. The bill further removes the specification that such an exemption applies to small companies.H.B. 3673 repeals Section 425.073(e), Insurance Code. |
| **EFFECTIVE DATE** September 1, 2023. |