

## **BILL ANALYSIS**

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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In order to sell life insurance policies, insurers must maintain and incorporate statutory reserves with respect to their future obligations. The current process for setting life insurance reserves has remained essentially the same for over 150 years. Interested parties 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 life insurance products they write. For example, mortality experience and other assumptions used to set current reserves are mostly proscribed by statute, even if individual company experience is materially different. Further, differences in the design of two products can affect the level of statutory reserves, even if the underlying risks to a company are the same. Interested parties contend that the resulting statutory reserves, when compared to the amount reasonably necessary to pay future obligations, are much too high in some cases, and too low in others. Because of these inefficiencies, some life insurers have been forced to utilize reinsurance, or alternative mechanisms such as captive insurance programs, to mitigate the impact of unnecessarily high reserves. Interested parties further contend that the reserve requirements, coupled with the tactics being utilized to mitigate the impact of unnecessarily high reserves, create numerous issues including counterparty risk and the possible need to limit future term insurance sales.

After more than seven years of debate and study, the National Association of Insurance Commissioners adopted a revised Standard Valuation Law Model in 2009 for passage by state legislatures. S.B. 1379 allows the commissioner of Insurance to pass a rule to allow companies to set life insurance reserves using a principles-based reserving (PBR) approach.

PBR uses revised methods and assumptions for setting reserves that better reflect the features and risks in modern products. In addition, PBR requires companies to model various economic scenarios to ensure the right level of reserves to meet the future obligations of life insurance companies to their policyholders. Once PBR is implemented, statutory life insurance reserves will more accurately reflect the insurance risks of individual companies and products.

PBR also provides the commissioner with added tools with which to appropriately regulate companies and the reserves they hold. Companies will have to prepare a PBR report certifying compliance with reserve requirements and submit an annual certification to the commissioner regarding the effectiveness of internal controls related to PBR. Companies will also submit actual experience data, which will provide much needed transparency into the assumptions companies use to set life insurance reserves.

Once implemented, PBR in S.B. 1379 will enable insurance companies to set reserves that appropriately match the products they sell and will provide the commissioner with the tools needed to properly regulate the life insurance reserves companies hold.

As proposed, S.B. 1379 amends current law relating to the standard valuation for life insurance, accident and health insurance, and annuities.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 425.052, Insurance Code), SECTION 6 (Section 425.054, Insurance Code), SECTION

7 (Section 425.0545, Insurance Code), SECTION 15 (Section 425.073, Insurance Code), and SECTION 16 of this bill.

### **SECTION BY SECTION ANALYSIS**

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

(a) Defines "accident and health insurance," "appointed actuary," "company," "deposit-type contract," "life insurance," "policyholder behavior," "qualified actuary," "tail risk," and "valuation manual" for this subchapter. Makes a nonsubstantive change.

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

SECTION 2. Amends the heading to Section 425.053, Insurance Code, as follows:

Sec. 425.053. ANNUAL VALUATION OF RESERVES BEFORE OPERATIVE DATE OF VALUATION MANUAL.

SECTION 3. Amends Section 425.053, Insurance Code, by amending Subsection (a) and adding Subsections (d) and (e) as follows:

(a) Requires the Texas Department of Insurance (TDI) to annually value or cause to be valued, rather than have, valued the reserves for all outstanding life insurance policies and annuity and pure endowment contracts of each life insurance company engaged in business in this state issued on or after June 10, 1963, and before the operative date of the valuation manual.

(d) Provides that, except as otherwise provided by this subchapter, policies and contracts issued after the operative date of the valuation manual are governed by Section 425.0535.

(e) Provides that the minimum standards for the valuation of policies and contracts issued on and after June 10, 1963, and before the operative date of the valuation manual are as provided by the law in effect immediately before that date, including the minimum standards provided by Sections 425.058, 425.059, 425.060 (Applicability of Calendar Year Statutory Valuation Interest Rates), 425.061, 425.062 (Weighting Factors), 425.063 (Reference Interest Rate), 425.064, 425.065, 425.066 (Minimum Aggregate Reserves), 425.067 (Optional Reserve Computations), 425.068 (Reserve Computation: Gross Premium Charged Less Than Valuation Net Premium), 425.069 (Reserve Computation: Indeterminate Premium Plans and certain other plans), 425.070 (Computation of Reserve for Certain Policies by Calendar Year of Issue), and 425.071 (Lapse Rates in Minimum Standard of Valuation) as applicable. Provides that Sections 425.072 through 425.077 do not apply to a policy or contract described by this subsection.

SECTION 4. Amends Subchapter B, Chapter 425, Insurance Code, by adding Section 425.0535, as follows:

Sec. 425.0535. POLICIES AND CONTRACTS ISSUED ON OR AFTER OPERATIVE DATE OF VALUATION MANUAL. (a) Requires the commissioner of insurance (commissioner), on or after the operative date of the valuation manual, 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 in this state as provided by this section.

(b) 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 standard provided by this subchapter.

(c) Provides that sections 425.072 through 425.077 apply to all policies and contracts issued on or after the operative date of the valuation manual.

SECTION 5. Amends the heading to Section 425.054, Insurance Code, as follows:

Sec. 425.054. ACTUARIAL OPINION OF RESERVES BEFORE OPERATIVE DATE OF VALUATION MANUAL.

SECTION 6. Amends Section 425.054, Insurance Code, by amending Subsection (a) and adding Subsections (a-1), (j), (k), (l), (m), (n), (o), (p), (q), and (r), as follows:

(a) Provides that this section applies only to an actuarial opinion of reserves required before the operative date of the valuation manual.

(a-1) Creates this subsection from existing text. Makes no further change to this subsection.

(j) Provides that, except as provided by Subsections (l), (n), (o), and (p), any document or other information in the possession or control of TDI, including 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 disclosure under Chapter 552 (Public Information), Government Code; privileged from subpoena or discovery in a private civil action; and inadmissible as evidence in a private civil action.

(k) Prohibits the commissioner or any person who receives a document or other information described by Subsection (j) while acting under the authority of the commissioner from testifying from being compelled to testify in a private civil action concerning the content of the document or other information.

(l) Authorizes the commissioner to:

(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 and privileged status of the document or information;

(2) receive documents or other information, including confidential and privileged 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 or privileged any document or information received with notice or understanding that it is confidential or privileged 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) Provides that 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) 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 this section or rules adopted under this section.

(o) Authorizes the memorandum or other material provided by the company to the commissioner in connection with the memorandum to 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) Provides that the memorandum ceases to be confidential if any portion of the memorandum is cited by the company in its marketing; the memorandum is cited by the company before a government agency other than a state insurance department; or the memorandum is released by the company to the news media.

(q) Provides that this section applies to an actuarial opinion for policies and contracts issued before the operative date of the valuation manual. Provides that actuarial opinions for policies and contracts issued on or after the operative date of the valuation manual are governed by Section 425.0545.

(r) Provides that 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. Amends Subchapter B, Chapter 425, Insurance Code, by adding Section 425.0545, as follows:

Sec. 425.0545. ACTUARIAL OPINION OF RESERVES AFTER OPERATIVE DATE OF VALUATION MANUAL. (a) Requires a company that has outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state and is subject to regulation by TDI 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 laws of this state. Requires that a valuation under this section comply with provisions of the valuation manual, including in regard to its scope.

(b) Requires a company described by Subsection (a), unless exempted by the valuation manual, to include with the opinion required by that subsection 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, when considered in light of the assets held by the company with respect to the reserves and related actuarial items, including investment earnings on the assets and considerations anticipated to be received and retained under the policies and contracts, make adequate provision for the company's obligations under the policies and contracts, including benefits under and expenses associated with the policies and contracts.

(c) Requires the company to submit a supporting memorandum in accordance with the valuation manual and in a form and manner determined by the commissioner by rule to support each actuarial opinion under this section. Authorizes the commissioner, if the company fails to provide a supporting memorandum at the request of the commissioner within the time specified by the valuation manual, or the commissioner determines that the supporting memorandum provided by the company fails to meet the standards prescribed by the valuation manual or is otherwise unacceptable to the commissioner, to employ

or contract with a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare the supporting memorandum required by the commissioner.

(d) Requires that each opinion required by this section:

(1) be in the form and contain the substance that is specified by the valuation manual and is acceptable to the commissioner;

(2) be submitted with the annual statement reflecting the valuation of reserves for each year ending on or after the operative date of the valuation manual;

(3) apply to all policies and contracts subject to this section, plus other actuarial liabilities specified by the valuation manual; and

(4) be based on standards adopted from time to time by the Actuarial Standards Board or its successor, and on any additional standards prescribed by the valuation manual.

(e) Authorizes the commissioner, in the case of an opinion required to be submitted by a foreign or alien company, 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 this state.

SECTION 8. Amends Section 425.055(a), Insurance Code, to require that a memorandum that, in form and substance, complies with the commissioner's rules be prepared to support each actuarial opinion required by Section 425.054 or 425.0545.

SECTION 9. Amends Section 425.056(a), Insurance Code, to provide that, except in cases of fraud or willful misconduct or as provided by Subsection (b) (relating to Subsection (a) not applying to certain administrative penalty), a person who certifies an opinion under Section 425.054 or 425.0545 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.

SECTION 10. Amends Section 425.057, Insurance Code, to provide that 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 (Supporting Memorandum for Actuarial Opinion) or rules adopted under those sections is subject to disciplinary action under Chapter 82 (Sanctions).

SECTION 11. Amends the heading to Section 425.058, Insurance Code, to read as follows:

Sec. 425.058. COMPUTATION OF MINIMUM STANDARD: GENERAL RULE.

SECTION 12. Amends the heading to Section 425.059, Insurance Code, to read as follows:

Sec. 425.059. COMPUTATION OF MINIMUM STANDARD FOR CERTAIN ANNUITIES AND PURE ENDOWMENT CONTRACTS.

SECTION 13. Amends the heading to Section 425.064, Insurance Code, to read as follows:

Sec. 425.064. COMMISSIONERS RESERVE VALUATION METHOD FOR LIFE INSURANCE AND ENDOWMENT BENEFITS.

SECTION 14. Amends the heading to Section 425.065, Insurance Code, to read as follows:

Sec. 425.065. COMMISSIONERS ANNUITY RESERVE VALUATION METHOD FOR ANNUITY AND PURE ENDOWMENT BENEFITS.

SECTION 15. Amends Subchapter B, Chapter 425, Insurance Code, by adding Sections 425.072, 425.073, 425.074, 425.075, 425.076, 425.077, as follows:

Sec. 425.072. MINIMUM STANDARD FOR ACCIDENT AND HEALTH INSURANCE CONTRACTS. (a) Provides 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 under Section 425.0535.

(b) Provides 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.

Sec. 425.073. VALUATION MANUAL FOR CERTAIN POLICIES. (a) Provides that, 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) Requires the commissioner by rule to adopt a valuation manual and determine the operative date of the valuation manual. Requires that a valuation manual adopted by the commissioner under this section to be substantially similar to the valuation manual approved by the National Association of Insurance Commissioners. Requires that the operative date 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: life insurance and accident and health annual statements; health annual statements; or 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: the 50 United States; American Samoa; the United States Virgin Islands; the District of Columbia; Guam; and Puerto Rico.

(c) Requires that any changes to the valuation manual, after a valuation manual has been adopted by the commissioner by rule, be adopted by rule and be consistent with changes adopted by the National Association of Insurance Commissioners. Prohibits the effective date for changes to the valuation manual, unless a change in the valuation specifies a later effective date, 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 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 annual statements submitted for 2008 as provided by Subsection (b)(2).

(d) Requires that the valuation manual specify:

(1) the minimum valuation standards for and definitions of the policies or contracts subject to Section 425.0535, including the commissioner's reserve valuation method for life insurance contracts subject to Section 425.0535; the commissioner's annuity reserve valuation method for annuity contracts subject to Section 425.0535; and 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 the requirements for the format of reports to the commissioner under Section 425.074(b)(3), which are required to include the information necessary to determine if a valuation is appropriate and in compliance with this subchapter; the assumptions prescribed for risks over which the company does not have significant control or influence; and 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, risk measurement, generation of economic scenarios, assumptions, margins, use of company experience, disclosure, certification, reports, actuarial opinions and memorandums, transition rules, and internal controls.

(e) Requires that the minimum valuation standard, with respect to policies that are not subject to a principle-based valuation under Section 425.074 as described by Subsection (d)(3), be consistent with the minimum valuation standard before the operative date of the valuation manual or 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) Requires the company, 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, to, with respect to the requirement, comply with minimum valuation standards prescribed by the commissioner by rule.

(g) Authorizes the commissioner to 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 method used by the company, or to review and provide an opinion on a company's

compliance with any requirement of this section. Authorizes the commissioner to rely on the opinion, regarding provisions contained within this section, of a qualified actuary engaged by the insurance supervisory official of another state.

(h) 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 this subchapter.

(i) Authorizes the commissioner to take other disciplinary action as permitted under Chapter 82.

Sec. 425.074. **PRINCIPLE-BASED VALUATION REQUIRED.** (a) Requires a company to establish reserves using a principle-based valuation that meets the conditions for policies or contracts provided by the valuation manual. Requires that the valuation, at a minimum:

(1) 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 during the terms of the contracts;

(2) with respect to policies and contracts with significant tail risk, reflect conditions appropriately adverse to quantify the tail risk;

(3) incorporate assumptions, risk analysis methods, and financial models and management techniques that are consistent with those used in the company's overall risk assessment process, while recognizing potential differences in financial reporting structures and any prescribed assumptions or methods;

(4) incorporate assumptions:

(A) prescribed by the valuation manual; or

(B) established using the company's available experience, to the extent that data is relevant and statistically credible or to the extent that the company data is not available, relevant, or statistically credible, using other relevant, statistically credible experience; and

(5) provide margins for uncertainty including adverse deviation and estimation error, such that the greater the uncertainty the larger the margin and resulting reserve.

(b) Requires a company using a principle-based valuation for one or more policies or contracts subject to this section and as specified by the valuation manual to:

(1) establish procedures for corporate governance and oversight of the actuarial valuation function consistent with procedures specified by the valuation manual;

(2) 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

(3) develop, and file with the commissioner on request, a principle-based valuation report that complies with standards prescribed in the valuation manual.

(c) Requires that a company's internal controls with respect to the principle-based valuation 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. Requires that the certification described by Subsection (b)(2) be based on the controls in place as of the end of the preceding calendar year.

(d) Authorizes a principle-based valuation to include a prescribed formulaic reserve component.

Sec. 425.075. EXPERIENCE REPORTING FOR POLICIES IN FORCE ON OR AFTER OPERATIVE DATE OF VALUATION MANUAL. Requires a company to submit mortality, morbidity, policyholder behavior, or expense experience and other data as prescribed in the valuation manual.

Sec. 425.076. CONFIDENTIALITY. (a) Provides that this section applies to:

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

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

(A) in connection with the memorandum;

(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 (Examination of Carriers), Chapter 401 (Audits and Examinations), 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;

(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

(3) any documents or other information submitted by the company under Section 425.074, including experience data to the extent that the data contain information that could potentially identify a company or individual.

(b) Provides that except as provided by this section, a memorandum and any documents or other information described by Subsection (a) are confidential and not subject to disclosure under Chapter 552, Government Code; privileged from subpoena or discovery in a private civil action; and inadmissible as evidence in a private civil action.

(c) Provides that 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) Prohibits the commissioner or any person who receives a document or other information described by Subsection (a) while acting under the authority of the

commissioner from testifying and from being compelled to testify in a private civil action concerning the content of the document or other information.

(e) Authorizes the commissioner, subject to Subsection (f), to 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)(D), 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) Prohibits the commissioner, with respect to Subsections (e)(1) and (2), from sharing 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) Authorizes the commissioner to 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 is required to maintain as confidential or privileged any document 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 or other information.

(h) Authorizes the commissioner to enter agreements governing sharing and use of information consistent with this section.

(i) Provides that 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) Provides that 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) Provides that, 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) Authorizes any confidential information specified in Subsection (a), notwithstanding this section, to 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) Provides that a 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) ceases to be confidential if:

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

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

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

Sec. 425.077. SINGLE STATE EXEMPTION. (a) Authorizes the commissioner to 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) Provides that Sections 425.054, 425.058, and 425.072 apply to a company granted an exemption under this section. Provides that, for a company applying for this exemption, any reference to Section 425.073 found in Section 425.054, 425.058, or 425.072 does not apply.

SECTION 16. Requires the commissioner to 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. Requires the commissioner, as soon as practicable after the commissioner 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, to adopt rules necessary to implement this Act.

SECTION 17. Effective date: January 1, 2014.