

BILL ANALYSIS

Senate Research Center
88R7377 MEW-F

H.B. 3673
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the commissioner of insurance must adopt a valuation manual for reserving and related requirements. The principle-based reserving exemption qualifications in state law, however, differ from the exemption qualifications in the National Association of Insurance Commissioners' (NAIC) valuation manual, creating an inconsistency. H.B. 3673 would 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 specified conditions. What's more, 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.

H.B. 3673 amends current law relating to an exemption for certain life insurance companies regarding the valuation of reserves.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 425.073(d), Insurance Code, to delete existing text requiring that the valuation manual specify an exemption that allows certain small companies to value reserves based on an exception from certain requirements of certain sections; however, the premium thresholds for determining whether the exemption applies is required to be less than \$300 million of ordinary life premium and less than \$600 million of combined ordinary life premiums for a group of life insurers if the company is a member of that group.

SECTION 2. Repealer: Section 425.073(e) (relating to measuring an ordinary life premium, for certain purposes, as a direct premium plus reinsurance assumed from an unaffiliated company, as reported in the prior calendar year statement), Insurance Code.

SECTION 3. Effective date: September 1, 2023.