WEST VIRGINIA SECRETARY OF STATE
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ADMINISTRATIVE LAW DIVISION

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Office of West Virginia Secretary Of State

# NOTICE OF SUNSET PROVISION EXTENSION REQUEST

AGENCY: Insurance Commission TITLE-SERIES: 114-98

RULE TYPE: Legislative CITE STATUTORY AUTHORITY: W. Va. Code §§33-2-10 and 33-7-9(n)

RULE NAME: 114-98 Adoption of Valuation Manual

PLEASE SELECT A SUNSET PROVISION OPTION:

[X] EXTEND THE SUNSET DATE OF THE RULE.

5 REQUESTED NUMBER OF YEARS FOR EXTENSION (SUBJECT TO LRMRC REVIEW).

[ ] LET THIS RULE EXPIRE.

PLEASE INDICATE IF THIS RULE INCLUDES:

RELEVANT FEDERAL STATUTES OR REGULATIONS [ ] INCORPORATED BY REFERENCE [ ]

PLEASE PROVIDE A BRIEF SUMMARY OF THE CONTENT OF THE RULE:

The Insurance Commissioner seeks to amend this rule solely to extend the sunset date, which is currently August 1, 2027. The rule was initially promulgated in 2017 pursuant to W. Va. Code §33-7-9(n), which is known as the Standard Valuation Law. The West Virginia Standard Valuation Law establishes a principle-based valuation methodology that is applicable, subject to specified exceptions, to life, health and annuity business written after the operative date of the uniform Valuation Manual adopted by the National Association of Insurance Commissioners (NAIC). To enable uniform and simultaneous implementation by participating states, the Standard Valuation Law provides that the Valuation Manual will only become operative when a sufficient number of states have adopted substantially similar laws before July 1 of the preceding year. The Valuation Manual was adopted by the NAIC on December 2, 2012. In 2017, the number of states adopting principle-based valuation at the state level reached the specified supermajority. Fifty-one jurisdictions have now engaged principle-based valuation reserving legislation, and the NAIC began requiring it as an accreditation standard, effective January 1, 2020. Prior to principle-based valuation, static formulas and assumptions were used to determine these reserves as prescribed by state laws and regulations. However, this rule-based approach would occasionally leave an insurer with excessive reserves for certain insurance products and inadequate reserves for others. The solution was to right-size reserve calculations by replacing a rule-based approach with a principle-based approach. Under principle-based valuation, insurers are required to hold the higher of reserves using prescribed factors or reserves which consider a wide range of future economic conditions and is computed using credible insurer experience factors specific to an insurer, such as mortality, policyholder behavior and expenses. By promulgating this rule, West Virginia provided clear guidance to both the insurance industry and to other states that West Virginia intended to begin reserving in accordance with principle-based reserving effective January 1, 2017 and provided assurances of uniformity of reserving in these jurisdictions.

SUMMARIZE IN A CLEAR AND CONCISE MANNER THE REASONS FOR REQUESTING A SUNSET PROVISION EXTENSION:

W. Va. Code §33-7-9(n) required the Insurance Commissioner to promulgate a rule adopting a valuation manual substantially similar to the valuation manual approved by the National Association of Insurance Commissioners (NAIC). The operative date of the valuation manual was required to be the January 1 of the first calendar year following the first July 1 of which certain enumerated triggering factors set forth therein occurred. Those triggering factors were met in June 2016 and the valuation manual was adopted effective January 1, 2017. The

sunset date on this rule must be extended for the Insurance Commissioners office to maintain its accreditation with the NAIC.

SUMMARIZE IN A CLEAR AND CONCISE MANNER THE OVERALL ECONOMIC IMPACT OF THE RULE:

A. ECONOMIC IMPACT ON REVENUES OF STATE GOVERNMENT:

None

B. ECONOMIC IMPACT OF THE LEGISLATIVE RULE ON THE STATE OR ITS RESIDENTS:

None

C. FISCAL NOTE DETAIL:

| Effect of Proposal | Fiscal Year | | |
|---|---|---|---|
| | 2026 Increase/Decrease (use "-") | 2027 Increase/Decrease (use "-") | Fiscal Year (Upon Full Implementation) |
| 1. Estimated Total Cost | | | |
| Personal Services | | | |
| Current Expenses | | | |
| Repairs and Alterations | | | |
| Assets | | | |
| Other | | | |
| 2. Estimated Total Revenues | | | |

D. EXPLANATION OF ABOVE ESTIMATES (INCLUDING LONG-RANGE EFFECT):

N/A

**BY CHOOSING 'YES', I ATTEST THAT THE PREVIOUS STATEMENT IS TRUE AND CORRECT.**

**Yes**

**Anoop Bhasin -- By my signature, I certify that I am the person authorized to file legislative rules, in accordance with West Virginia Code §29A-3-11 and §39A-3-2.**