

**Bulletin No. 2016-7  
November 22, 2016**

**PRINCIPLE-BASED RESERVING  
VALUATION MANUAL OPERATIVE JANUARY 1, 2017**

**TO: All Life and Disability Insurance Companies Issuing Policies  
Subject to the Standard Valuation Law**

**SUBJECT: Valuation Manual and PBR to Take Effect January 1, 2017**

In 2015 the California Legislature passed, and Governor Brown signed, Senate Bill 696, which adopted a modified version of an NAIC model act. Specifically, SB 696 substantially amended the Insurance Code's "Standard Valuation Law" to provide, *inter alia*, for Principle-Based Reserving ("PBR"). While some of SB 696 took effect on January 1, 2016, the bill delayed the effective date of PBR until January 1 following satisfaction of four conditions: three contained in the model act, and one that SB 696 made specific to California.

The first model act condition requires that at least 42 NAIC members, or three-fourths of the members voting, whichever is greater, vote to adopt an amended valuation manual.

The second model act condition requires that legislation including substantially similar terms and provisions as those contained in the model act be enacted by states representing greater than 75 percent of the direct premiums.

The third model act condition requires that 42 of the 55 jurisdictions adopt legislation that includes substantially similar terms and provisions as the model act.

All of these conditions have been met.

The California-specific condition requires that the Commissioner send the chairs of the Assembly and Senate insurance committees a letter certifying that adequate funding has been appropriated by the Legislature, and that all other necessary resources, including, but not limited to adequate staff, are available and sufficient to carry out all duties imposed by SB 696. That letter has been sent.

Based on the above, the valuation manual is in effect and its provisions become operative on January 1, 2017.

Please contact Rachel Hemphill at (213) 346-6152 with any questions.