BILL ANALYSIS

Senate Research Center
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H.B. 1032
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The sale of insurance products to senior citizens has increased over time, especially in the area of annuities. Accompanying that increase in the sale of such products has been an increase in the number of complaints filed with the Texas Department of Insurance alleging deceptive sales practices regarding those products. A trial period provides a consumer an opportunity to examine a recently purchased annuity policy and to consult with friends, family, or a financial advisor to ensure that this long-term investment is appropriate for the consumer. During this period, a consumer may receive a refund if the consumer decides to return the annuity.

H.B. 1032 requires an annuity contract to contain a 20-day rescission period. During this rescission period, a purchaser may return an annuity for an unconditional refund of certain amounts, based on the type of annuity.

H.B. 1032 amends current law relating to a rescission period for annuity contracts.

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 Subtitle A, Title 7, Insurance Code, by adding Chapter 1116, as follows:

CHAPTER 1116. REQUIRED PROVISIONS FOR ANNUITY CONTRACT

Sec. 1116.001. DEFINITION. Defines "annuity" in this chapter.

Sec. 1116.002. RESCISSION PERIOD REQUIRED. (a) Requires that a fixed annuity contract provide that, for a period of at least 20 days after the date the contract is delivered, the purchaser may rescind the contract and receive an unconditional refund of premiums paid for the contract, including any contract fees or charges.

(b) Requires that a variable or modified guaranteed annuity contract, except as provided by Subsection (c), provide that, for a period of at least 20 days after the date the contract is delivered, the purchaser may rescind the contract and receive an unconditional refund that is equal to the cash surrender value provided in the contract plus any fees or charges deducted from the premiums or imposed under the contract.

(c) Provides that Subsection (b) does not apply to an annuity contract if the prospective owner is an accredited investor, as defined by 17 C.F.R. Section 230.501(a) as adopted by the United States Securities and Exchange Commission.

SECTION 2. Makes application of this Act prospective to January 1, 2012.

SECTION 3. Effective date: September 1, 2011.