

BILL ANALYSIS

H.B. 1032
By: Smithee
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

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 these 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.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 1032 amends the Insurance Code to require a fixed annuity contract to include a provision that, for a period of at least 20 days after the date the contract is delivered, allows the purchaser to rescind the contract and receive an unconditional refund of premiums paid for the contract, including any contract fees or charges. The bill requires a variable or modified guaranteed annuity contract, unless the prospective owner is an accredited investor as defined by federal regulations as adopted by the United States Securities and Exchange Commission, to include a provision that, for a period of at least 20 days after the date the contract is delivered, allows the purchaser to 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. The bill defines "annuity."

H.B. 1032 makes its provisions applicable only to an annuity contract delivered or issued for delivery on or after January 1, 2012.

EFFECTIVE DATE

September 1, 2011.