

By: Menendez

H.B. No. 504

A BILL TO BE ENTITLED

AN ACT

relating to partial surrender of or withdrawals from annuity contracts, life insurance policies, and endowment contracts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 1113, Insurance Code, is amended by adding Section 1113.002 to read as follows:

Sec. 1113.002. PARTIAL SURRENDER OR WITHDRAWAL. (a) A partial surrender of or withdrawal from an annuity contract or a partial surrender or withdrawal of all or part of the cash surrender value of a life insurance policy or endowment contract may not be made unless, at minimum:

(1) an owner of the contract or policy requests the withdrawal in a writing that is:

(A) signed by the owner or each joint owner;

(B) notarized; and

(C) delivered to:

(i) the agent who sold the contract or policy;

(ii) a representative of the issuer of the contract or policy at an office of the issuer located in the city or county where the owner resides; or

(iii) if the issuer does not have a local office and the agent who sold the contract or policy is no longer an agent for the issuer, the agent of record for the contract or

1 policy; and

2 (2) the agent or representative who receives the  
3 request delivered under Subdivision (1):

4 (A) provides the information required by  
5 Subsection (b);

6 (B) signs the request; and

7 (C) forwards the request to the appropriate  
8 office of the issuer of the contract or policy for processing the  
9 request.

10 (b) An agent or representative who receives a request that  
11 is subject to this section must provide the requestor with accurate  
12 information concerning the consequences of the requested surrender  
13 or withdrawal, including any tax penalties the owner may incur.

14 (c) Except as provided by this section or other law or as  
15 specifically requested by the owner of the annuity contract, life  
16 insurance policy, or endowment contract, the issuer of the contract  
17 or policy may not delay or otherwise impede a surrender or  
18 withdrawal that is subject to this section, including by attempting  
19 to persuade the owner to redirect the proceeds of the surrender or  
20 withdrawal into another product marketed by the issuer.

21 (d) The issuer of an annuity contract, life insurance  
22 policy, or endowment contract may impose additional requirements on  
23 a request for a partial surrender of or withdrawal from the contract  
24 or policy, including requiring the signature of the spouse of the  
25 owner, a beneficiary, or an assignee.

26 SECTION 2. Except as specifically provided by a conflicting  
27 provision of an annuity contract, life insurance policy, or

1 endowment contract delivered or issued for delivery before the  
2 effective date of this Act, the change in law made by this Act  
3 applies to an annuity contract, life insurance policy, or endowment  
4 contract delivered or issued for delivery before, on, or after the  
5 effective date of this Act.

6 SECTION 3. This Act takes effect September 1, 2011.