

BILL ANALYSIS

Senate Research Center
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S.B. 1107
By: Eltife
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Insurance Code requires insurance carriers to file most insurance policies and contracts with the Texas Department of Insurance (TDI), including annuities. Specific authority in the Insurance Code to regulate annuities, however, has not kept pace with this growing market.

TDI's current authority to regulate annuity contracts results in an incomplete regulatory framework that cannot respond well to market changes and cannot adequately protect consumers, who increasingly choose to purchase annuity products over life insurance products.

This is especially true in the context of new and unique annuity product designs. Carriers continue to develop new and innovative products to respond to market demand from consumers by addressing longevity and investment risk or offering alternative investment options that compete with non-insurance products. The current regulatory framework does not give TDI latitude to approve these types of products.

S.B. 1107 provides TDI authority to adopt rules that establish minimum standards for annuities.

As proposed, S.B. 1107 amends current law relating to rulemaking authority for annuity contracts.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 1116.003, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 1116, Insurance Code, by adding Section 1116.003, as follows:

Sec. 1116.003. RULEMAKING AUTHORITY. Authorizes the commissioner of insurance (commissioner) to adopt reasonable rules to protect the public that establish minimum standards for annuity contracts, including rules relating to:

- (1) the purpose and use of key provisions in annuity contracts;
- (2) criteria for the review and approval of new or unique annuity products; and
- (3) marketing standards for annuity products.

SECTION 2. Effective date: upon passage or September 1, 2015.