

By: Craddick

H.B. No. 207

A BILL TO BE ENTITLED

AN ACT

relating to certain disclosures and notices required for certain life insurance policies.

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

SECTION 1. Chapter 1101, Insurance Code, is amended by adding Subchapter E to read as follows:

SUBCHAPTER E. DISCLOSURES AND NOTICES RELATING TO LIFE INSURANCE
POLICIES WITH NON-GUARANTEED CHARGES

Sec. 1101.201. PURPOSE. This subchapter is intended to provide standards for disclosures relating to changes in certain non-guaranteed charges of life insurance policies subject to this subchapter.

Sec. 1101.202. DEFINITIONS. In this subchapter:

(1) "Adverse change" means a change by an insurer in the insurer's current scale of charges applied to a policy that increases a premium or charge to a policy owner.

(2) "Current scale of charges" means the scale or schedule of non-guaranteed charges in effect for a policy during the period of time immediately before an adverse change to the policy.

(3) "Non-guaranteed charges" means the scale or schedule of charges in a policy provision at the time the policy was issued that may be changed at the insurer's discretion without the consent or request of the policy owner. The term does not include a

1 policy loan interest rate charged on a policy loan.

2 Sec. 1101.203. APPLICABILITY. (a) This subchapter applies
3 to a life insurance policy issued by an insurer, as defined by
4 Section 1102.001, that contains non-guaranteed charges that may
5 change at the discretion of the insurer.

6 (b) This subchapter does not apply to:

7 (1) group life insurance without separately
8 identifiable accounts for insureds;

9 (2) a life insurance policy in which the insurer
10 assumes all risk and contractually guarantees a death benefit in
11 exchange for a guaranteed premium set at the time of the policy's
12 issuance;

13 (3) an individual or group annuity contract;

14 (4) credit life insurance;

15 (5) a life insurance policy with no illustrated death
16 benefits on any individual exceeding \$10,000;

17 (6) a bank-owned or corporate-owned life insurance
18 policy; or

19 (7) a life insurance policy that does not provide for
20 cash values or nonforfeiture values.

21 Sec. 1101.204. DISCLOSURE OF NON-GUARANTEED CHARGE
22 INCREASE AFTER ISSUANCE OF POLICY. (a) If an insurer increases a
23 non-guaranteed charge applied to a policy, the insurer must provide
24 a written notice to the policy owner:

25 (1) disclosing:

26 (A) each non-guaranteed charge that has changed;

27 (B) the new scale of non-guaranteed charges after

1 the change;

2 (C) the current scale of charges; and

3 (D) the guaranteed maximum scale of charges; and

4 (2) including a prominent display of any adverse
5 change in the current scale of charges identifying:

6 (A) the nature of the change;

7 (B) that the change is adverse or the conditions
8 under which the change would be adverse;

9 (C) the age and year at which the policy would
10 have lapsed if there had not been an adverse change or a change to
11 payments or coverage; and

12 (D) the new age and year at which the policy will
13 lapse if there are no changes to payments or coverage.

14 (b) The notice under Subsection (a) must include the
15 insurer's telephone number and the following statement placed
16 prominently on the front of the notice:

17 "YOU SHOULD KNOW: This increase may change the value of your
18 policy and may change how long your policy will last unless you
19 increase your premium payments or reduce your coverage. Ask your
20 agent for an illustration that shows the effect of this change on
21 your policy and about other options that are available to you."

22 (c) The notice required by Subsection (a) must be given not
23 later than the 90th day before the date the change is applied.

24 Sec. 1101.205. DISCLOSURE OF CREDITED INTEREST RATE
25 DECREASE AFTER ISSUANCE OF POLICY. (a) If an insurer decreases the
26 credited interest rate paid on a policy's accumulation value, the
27 insurer must provide in the annual statement a written notice to the

1 policy owner:

2 (1) disclosing:

3 (A) the new current credited interest rate;

4 (B) the previous credited interest rate;

5 (C) the decrease in the credited interest rate;

6 (D) the minimum credited interest rate stated in

7 the policy; and

8 (E) the effective date of the change; and

9 (2) including a prominent display of:

10 (A) the age and year at which the policy would
11 have lapsed if there had not been a change to the credited interest
12 rate or to payments or coverage; and

13 (B) the new age and year at which the policy will
14 lapse based on all changes to non-guaranteed charges and the
15 credited interest rate if there are no changes to payments or
16 coverage.

17 (b) The notice under Subsection (a) must include the
18 insurer's telephone number and the following statement placed
19 prominently on the front of the notice:

20 "YOU SHOULD KNOW: This decrease may change the value of your
21 policy and may change how long your policy will last unless you
22 increase your premium payments or reduce your coverage. Ask your
23 agent for an illustration that shows the effect of this change on
24 your policy and about other options that are available to you."

25 Sec. 1101.206. ANNUAL ILLUSTRATION. Regardless of whether
26 any non-guaranteed charges are changed, an insurer that issues a
27 policy subject to this subchapter must offer to provide to the

1 policy owner at least annually an illustration. If the insurer has
2 changed any non-guaranteed charges or the credited interest rate,
3 the insurer must offer the illustration at no charge.

4 Sec. 1101.207. RULES. (a) The commissioner may adopt rules
5 as necessary to implement this subchapter.

6 (b) The commissioner by rule may exempt certain types of
7 life insurance policies from one or more of the requirements of this
8 subchapter.

9 (c) Section 2001.0045, Government Code, does not apply to
10 rules adopted under this section.

11 SECTION 2. Subchapter E, Chapter 1101, Insurance Code, as
12 added by this Act, applies only to an increase in a cost of
13 insurance charge or a decrease in a credited interest rate applied
14 to an insurance policy on or after January 1, 2020.

15 SECTION 3. This Act takes effect September 1, 2019.