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
policy loan interest rate charged on a policy loan.

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

(b) This subchapter does not apply to:

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

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

(3) an individual or group annuity contract;

(4) credit life insurance;

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

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

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

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

(1) disclosing:

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

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

(C) the current scale of charges; and

(D) the guaranteed maximum scale of charges; and

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

(A) the nature of the change;

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

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

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

"YOU SHOULD KNOW: This increase may change the value of your policy and may change how long your policy will last unless you increase your premium payments or reduce your coverage, if permitted under your policy. Ask your insurance company for an illustration, at no cost, that shows the effect of this change on your policy and discuss with your agent or financial advisor other options that are available to you."

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

(d) The notice required by Subsection (a) does not constitute an illustration, as defined by rules adopted by the department relating to life insurance illustrations.

Sec. 1101.205. DISCLOSURE OF CREDITED INTEREST RATE DECREASE AFTER ISSUANCE OF POLICY. (a) If an insurer decreases the
credited interest rate paid on a policy's accumulation value, the insurer must provide annually a written notice to the policy owner:

(1) disclosing:
(A) the new current credited interest rate;
(B) the previous credited interest rate;
(C) the minimum credited interest rate stated in
the policy; and
(D) the effective date of the change; and

(2) including a prominent display of the new age and
year at which the policy will lapse based on all changes to
non-guaranteed charges and the credited interest rate if there are
no changes to payments or coverage.

(b) The notice under Subsection (a) must include the
insurer's telephone number and the following statement placed
prominently on the front of the notice:
"YOU SHOULD KNOW: This decrease may change the value of your
policy and may change how long your policy will last unless you
increase your premium payments or reduce your coverage. Ask your
insurance company for an in-force illustration that shows the
effect of this change on your policy and discuss with your agent or
financial advisor other options that are available to you."

(c) Notwithstanding any other provision of this section,
this section does not apply to or require disclosures for a variable
universal or indexed life insurance policy.

Sec. 1101.206. ANNUAL ILLUSTRATION. Regardless of whether
any non-guaranteed charges are changed, an insurer that issues a
policy subject to this subchapter must offer to provide to the
policy owner at least annually an in-force illustration. If the insurer has changed any non-guaranteed charges or the credited interest rate, the insurer must offer the illustration at no charge.

Sec. 1101.207. RULES. (a) The commissioner may adopt rules as necessary to implement this subchapter. (b) The commissioner by rule may exempt certain types of life insurance policies from one or more of the requirements of this subchapter. (c) Section 2001.0045, Government Code, does not apply to rules adopted under this section.

SECTION 2. Subchapter E, Chapter 1101, Insurance Code, as added by this Act, applies only to an increase in a non-guaranteed charge applied to an insurance policy on or after January 1, 2020. Subchapter E, Chapter 1101, Insurance Code, as added by this Act, applies only to a decrease in a credited interest rate applied to an insurance policy on or after January 1, 2021.

SECTION 3. This Act takes effect September 1, 2019.
H.B. No. 207

President of the Senate

Speaker of the House

I certify that H.B. No. 207 was passed by the House on April 18, 2019, by the following vote:  Yeas 146, Nays 1, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 207 on May 23, 2019, by the following vote:  Yeas 140, Nays 0, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 207 was passed by the Senate, with amendments, on May 21, 2019, by the following vote:  Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: __________________

Date

Governor