

1 AN ACT

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

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

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

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

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

13 Sec. 1101.202. DEFINITIONS. In this subchapter:

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

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

21 (3) "Non-guaranteed charges" means the scale or  
22 schedule of charges in a policy provision at the time the policy was  
23 issued that may be changed at the insurer's discretion without the  
24 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; and

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

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

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

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

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

26 Sec. 1101.205. DISCLOSURE OF CREDITED INTEREST RATE  
27 DECREASE AFTER ISSUANCE OF POLICY. (a) If an insurer decreases the

1 credited interest rate paid on a policy's accumulation value, the  
2 insurer must provide annually a written notice to the policy owner:

3 (1) disclosing:

4 (A) the new current credited interest rate;

5 (B) the previous credited interest rate;

6 (C) the minimum credited interest rate stated in  
7 the policy; and

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

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

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

16 "YOU SHOULD KNOW: This decrease may change the value of your  
17 policy and may change how long your policy will last unless you  
18 increase your premium payments or reduce your coverage. Ask your  
19 insurance company for an in-force illustration that shows the  
20 effect of this change on your policy and discuss with your agent or  
21 financial advisor other options that are available to you."

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

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 in-force illustration. If the  
2 insurer has changed any non-guaranteed charges or the credited  
3 interest rate, the insurer must offer the illustration at no  
4 charge.

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

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

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

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

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

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President of the Senate

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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.

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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.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor