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. APPLICABILITY. (a) This subchapter applies
to a universal life insurance policy issued by an insurer, as
defined by Section 1102.001.

(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 premium schedule set at the time of the policy's
issuance; or

(3) a bank-owned or corporate-owned life insurance
policy.
Sec. 1101.203. DEFINITION. In this subchapter, "cost of insurance charge" means a charge applied by an insurer to a policy based on the current schedule of mortality rates. The term does not include an expense charge or any credited interest paid on the accumulation value of a policy.

Sec. 1101.204. DISCLOSURE OF COST OF INSURANCE CHARGE INCREASE AFTER ISSUANCE OF POLICY. (a) If an insurer increases the cost of insurance charge applied to a policy, the insurer must provide a written notice to the policy owner disclosing:

(1) the percentage increase in the cost of insurance charge;

(2) the maximum cost of insurance charge stated in the policy;

(3) the effective date of the change;

(4) a comparison of the change to the current and maximum cost of insurance charges; and

(5) the options available to the policy owner under the policy.

(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 will change the value of your policy and change how long your policy will last. Ask your agent for an illustration that shows the effect of this change on your policy."

(c) The notice required by Subsection (a) must be given not later than the 90th day before the date the change is applied.
Sec. 1101.205. DISCLOSURE OF CREDITED INTEREST RATE DECREASE AFTER ISSUANCE OF POLICY. (a) Except as provided by Subsection (d), if an insurer decreases the credited interest rate paid on a policy's accumulation value, the insurer must provide a written notice to the policy owner disclosing:

(1) the percentage decrease in the credited interest rate;

(2) the minimum credited interest rate stated in the policy;

(3) the effective date of the change;

(4) a comparison of the change to the current and minimum credited interest rate; and

(5) the options available to the policy owner under the policy.

(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 will change the value of your policy and change how long your policy will last. Ask your agent for an illustration that shows the effect of this change on your policy."

(c) If notice is required under Subsection (a), the notice must be given on the next anniversary of the date of issuance of the policy.

(d) If an insurer changes the credited interest rate paid on a policy's accumulation value more than once during a policy year, the insurer is required to provide the notice under Subsection (a)
only if, after taking into account all changes made to the credited interest rate during the policy year, the changes result in an overall decrease in the credited interest rate.

Sec. 1101.206. ANNUAL ILLUSTRATION OF CHARGES. Regardless of whether any non-guaranteed charges are changed, an insurer that issues a policy subject to this subchapter must provide to the policy owner at least annually an illustration containing charges specified by the commissioner by rule.

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.

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

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