

SENATE AMENDMENTS

2nd Printing

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.

ADOPTED

MAY 24 2019

Leta Spaw
Secretary of the Senate

By: Hancock

H.B. No. 207

Substitute the following for _____.B. No. _____:

By: *Kelly Harmon*

C.S. _____.B. No. _____

A BILL TO BE ENTITLED

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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:

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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.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 21, 2019

TO: Honorable Dennis Bonnen, Speaker of the House, House of Representatives

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB207 by Craddick (Relating to certain disclosures and notices required for certain life insurance policies.), **As Passed 2nd House**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code relating to certain disclosures and notices required for certain life insurance policies. Based on information provided by the Texas Department of Insurance, this analysis assumes that the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance, 327 Employees Retirement System, 710
Texas A&M University System Administrative and General Offices, 720
The University of Texas System Administration

LBB Staff: WP, SD, CLo, CMa, SGr, CP, KFB

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 10, 2019

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB207 by Craddick (Relating to certain disclosures and notices required for certain life insurance policies.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code relating to certain disclosures and notices required for certain life insurance policies. Based on information provided by the Texas Department of Insurance, this analysis assumes that the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

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Texas A&M University System Administrative and General Offices, 720
The University of Texas System Administration

LBB Staff: WP, CLo, CMa, SGr, CP, KFB

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 26, 2019

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB207 by Craddick (Relating to certain disclosures and notices required for certain life insurance policies.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code relating to certain disclosures and notices required for certain life insurance policies. Based on information provided by the Texas Department of Insurance, this analysis assumes that the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Local Government Impact

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The University of Texas System Administration

LBB Staff: WP, CLo, CMa, SGr, CP, KFB

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 2, 2019

TO: Honorable Eddie Lucio III, Chair, House Committee on Insurance

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB207** by Craddick (relating to certain disclosures and notices required for certain life insurance policies.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code relating to certain disclosures and notices required for certain life insurance policies. Based on information provided by the Texas Department of Insurance, this analysis assumes that the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

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The University of Texas System Administration

LBB Staff: WP, CMa, SGr, CP, KFB

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 18, 2019

TO: Honorable Eddie Lucio III, Chair, House Committee on Insurance

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB207 by Craddick (Relating to certain disclosures and notices required for certain life insurance policies.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Insurance Code relating to certain disclosures and notices required for certain life insurance policies. Based on information provided by the Texas Department of Insurance, this analysis assumes that the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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The University of Texas System Administration

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