

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 4386
By: Wharton (Parker)
Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texans purchase approximately 10 percent of all annuities in the U.S., totaling \$35 billion annually. Millions rely on these financial products for retirement income. Current Texas law allows annuity holders to transfer their policies to a different insurer for better returns but does not establish a timeframe for completing these transfers. As a result, delays can lead to financial losses for consumers due to missed investment opportunities and fluctuating interest rates.

Without clear deadlines, policyholders seeking higher returns may experience weeks or months of delays, reducing their earnings. Administrative inefficiencies can also cause financial hardship for retirees who depend on annuity income.

This bill establishes clear procedures and safeguards for policyholders replacing a fixed annuity with a policy from a different insurer. Specifically, it defines the responsibilities of existing insurers in processing transfers, strengthens consumer protections by ensuring timely transactions, and enforces compliance through penalties for delays.

H.B. 4386 requires insurers to acknowledge receipt of a transfer or surrender request within five business days, complete the transfer or payout within 30 days of receiving notice, and pay 18 percent annual interest on unpaid amounts if a transfer or payout exceeds 30 days.

These provisions apply to annuity contracts or policies transferred or surrendered on or after January 1, 2026. By ensuring timely and efficient annuity transfers, this bill protects retirees and other policyholders from unnecessary financial losses.

(Original Author/Sponsor's Statement of Intent)

C.S.H.B. 4386 amends current law relating to the exchange or surrender of an annuity contract.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 1114, Insurance Code, by adding Sections 1114.0541 and 1114.0542, as follows:

Sec. 1114.0541. PROCESSING OF ANNUITY CONTRACT EXCHANGES. (a)
Defines "exchange."

(b) Requires an existing insurer and replacing insurer, if a transaction involves an exchange of an annuity contract, to comply with this section.

(c) Requires the replacing insurer, to initiate an exchange of an annuity contract, to provide the existing insurer an exchange request notice of the proposed exchange.

(d) Provides that an exchange request notice is required to include certain information and authorized to be provided on a form promulgated by the Association for Cooperative Operations Research and Development or another generally accepted form or in any other manner used by an insurer.

(e) Requires an existing insurer that receives an exchange request to:

(1) not later than the fifth business day after the date the existing insurer received the notice, send a letter to the contract owner, as required under Section 1114.054(c) (relating to requiring the existing insurer to send a letter to the contract owner regarding the owner's right to receive information regarding the existing contract values), unless the existing insurer has previously provided it; and

(2) subject to Subsection (f), transfer the contract value of the existing annuity to the replacing insurer not later than the 30th business day after the date the existing insurer receives the notice unless certain conditions exist.

(f) Provides that, if an exchange request notice provided to an existing insurer under Subsection (c) does not include all required information necessary to complete the exchange, the applicable period to transfer the contract value does not begin until the day the existing insurer receives all required information from the replacing insurer or contract owner, as applicable.

(g) Requires the existing insurer, if a required transfer payment is not completed within the period provided by Subsection (e)(2) or the existing annuity contract, as applicable, to pay penalty interest on the unpaid amount of an annual rate of 10 percent accruing from the first business day after the date the contract value was required to be transferred until the contract value is transferred to the replacing insurer in full.

(h) Provides that nothing in this section is intended to change the suitability requirements applicable to an agent or insurer seeking to replace an annuity under Chapter 1115 (Suitability of Certain Annuity Transactions) or prohibit a replacing insurer and existing insurer from agreeing to use different formats or modes for assisting contract owners in the timely and efficient processing of replacements or exchanges of annuity contracts.

Sec. 1114.0542. PROCESSING OF SURRENDER REQUESTS FOR ANNUITY CONTRACTS. (a) Requires a contract owner, to initiate a surrender of an annuity contract, to submit a surrender request to the insurer in the form and mannered required by the insurer. Requires an insurer that issues an annuity contract to make available to the contract owner the form and manner in which the contract owner is authorized to submit the request.

(b) Requires an insurer that receives a surrender request from a contract owner, subject to Subsection (c), to transfer the current cash surrender value of the annuity contract to the contract owner not later than the 30th business day after the date the insurer receives the request unless certain conditions exist.

(c) Provides that, if a surrender request submitted to an insurer under Subsection (a) does not include all required information, the applicable period to transfer the cash surrender value does not begin until the day the insurer receives all required information from the contract owner.

(d) Requires an insurer, if a required payment of a cash surrender value is not completed within the period provided by Subsection (b) or the annuity contract, as applicable, to pay penalty interest on the unpaid amount at an annual rate of 10 percent accruing from the first business day after the date the cash surrender value

was required to be transferred until the cash surrender value is transferred to the contract owner in full.

(e) Provides that nothing in this section is intended to change the suitability requirements applicable to an agent or other person advising a contract owner to surrender an annuity under Chapter 1115.

SECTION 2. Makes application of Sections 1114.0541 and 1114.0542, Insurance Code, as added by this Act, prospective to January 1, 2026.

SECTION 3. Effective date: September 1, 2025.