

By: Hull

H.B. No. 2221

A BILL TO BE ENTITLED

AN ACT

relating to certain trade practices related to life insurance,
annuity contracts, and accident and health coverage.

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

SECTION 1. The heading to Title 9, Insurance Code, is
amended to read as follows:

TITLE 9. PROVISIONS APPLICABLE TO LIFE INSURANCE, ANNUITY
CONTRACTS, AND ACCIDENT AND HEALTH COVERAGES

SECTION 2. Title 9, Insurance Code, is amended by adding
Chapter 1702 to read as follows:

CHAPTER 1702. REGULATION OF CERTAIN TRADE PRACTICES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 1702.001. PURPOSE. The purpose of this chapter is to:

(1) set forth uniform standards of prohibited acts and
practices for life insurance, annuity contracts, accident and
health insurance, and health care plans; and

(2) provide for more uniformity in well-recognized
exceptions to existing rebate and discrimination laws for certain
value-added services, acts, or practices recognized in existing law
or contained in uniform model laws developed and recommended by the
National Association of Insurance Commissioners.

Sec. 1702.002. DEFINITIONS. In this chapter:

(1) "Agent" means a person authorized to act as an
insurance agent as defined by Section [4001.003](#).

1 (2) "Consumer" means a policyholder or potential
2 policyholder, a certificate holder or potential certificate
3 holder, an insured or potential insured, a contract holder or
4 potential contract holder, an enrollee or potential enrollee, or an
5 applicant for insurance, an annuity, or health care plan coverage.

6 (3) "Enrollee" and "health care plan" have the
7 meanings assigned by Section [843.002](#).

8 (4) "Insurer" means an insurance company, including a
9 reciprocal or interinsurance exchange, mutual insurance company,
10 capital stock company, Lloyd's plan, fraternal benefit society,
11 group hospital service corporation, or other legal entity
12 authorized to engage in the business of life, accident, or health
13 insurance or annuities in this state.

14 (5) "Loss-control or value-added product or service"
15 means a product or service offered or provided by an insurer, health
16 maintenance organization, or agent, by or through an employee,
17 affiliate, or third-party representative, to an insured,
18 annuitant, or enrollee at no or reduced cost when such products or
19 services are not specified in the insurance policy, annuity
20 contract, or health care plan contract and that:

21 (A) relates to the insurance, annuity, or health
22 care plan coverage; and

23 (B) is primarily designed to do one or more of the
24 following:

25 (i) provide loss mitigation or loss
26 control;

27 (ii) reduce claim costs or claim settlement

1 costs;

2 (iii) provide education about liability
3 risks or risk of loss to persons or property;

4 (iv) monitor or assess risk, identify
5 sources of risk, or develop strategies for eliminating or reducing
6 risk;

7 (v) enhance health;

8 (vi) enhance financial wellness through
9 items such as education or financial planning services;

10 (vii) provide post-loss services;

11 (viii) provide incentives for behavioral
12 changes to improve the health or reduce the risk of death or
13 disability of an insured, annuitant, or enrollee; or

14 (ix) assist in the administration of
15 employee or retiree benefit insurance, annuity, or health care plan
16 coverage.

17 Sec. 1702.003. APPLICABILITY OF CHAPTER: LIFE INSURANCE AND
18 ANNUITIES. Except as otherwise provided by this chapter, this
19 chapter applies to an insurance company writing life insurance and
20 annuities in this state, including:

21 (1) a stock life insurance company;

22 (2) a mutual life insurance company, including a
23 mutual life assessment company;

24 (3) a stipulated premium life insurance company; and

25 (4) a fraternal benefit society authorized under
26 Chapter 885.

27 Sec. 1702.004. APPLICABILITY OF CHAPTER: ACCIDENT AND

HEALTH. Except as otherwise provided by this chapter, this chapter applies to:

(1) an insurer authorized to engage in the business of accident and health insurance in this state, including:

(A) a life, health, and accident stock insurance company;

(B) a mutual insurance company, including:

(i) a mutual life insurance company; and

(ii) a mutual assessment life insurance company;

(C) a local mutual aid association;

(D) a mutual or natural premium life or casualty insurance company;

(E) a general casualty company;

(F) a nonprofit hospital, medical, or dental service corporation, including a corporation operating under Chapter 842;

(G) a Lloyd's plan operating under Chapter 941;

(H) a reciprocal or interinsurance exchange operating under Chapter 942; and

(I) any other type of insurer required by law to be authorized by the department to issue accident and health insurance policies; and

(2) a health maintenance organization operating under Chapter 843.

Sec. 1702.005. CONSTRUCTION. Nothing in this chapter may be construed to:

(1) permit conduct that is an unfair method of competition or a false, misleading, or deceptive act or practice under Section 17.46, Business & Commerce Code, or Chapter 541 of this code; or

(2) prohibit an insurer, health maintenance organization, or agent from offering or giving to a consumer, for free or at a discounted price in a manner that is not unfairly discriminatory to consumers of the same class and of essentially the same hazard, a loss-control or value-added product or service relating to the risks covered under the relevant policy or contract, subject to Sections 1702.051 and 1702.053.

Sec. 1702.006. RULES. The commissioner may adopt reasonable rules necessary to implement this chapter.

SUBCHAPTER B. ANCILLARY PRODUCTS OR SERVICES AND PROHIBITED
INDUCEMENTS

Sec. 1702.051. LOSS-CONTROL OR VALUE-ADDED PRODUCTS AND SERVICES. (a) The cost to an insurer, health maintenance organization, or agent for a loss-control or value-added product or service provided to an insured, annuitant, or enrollee must be reasonable in comparison to that insured's, annuitant's, or enrollee's premiums or coverage for the class of the insured's, annuitant's, or enrollee's policy or contract.

(b) If an insurer, health maintenance organization, or agent provides a loss-control or value-added product or service to an insured, annuitant, or enrollee, the insurer, health maintenance organization, or agent must ensure that the insured, annuitant, or enrollee is provided with contact information to assist the

insured, annuitant, or enrollee with questions regarding the product or service.

(c) An insurer, health maintenance organization, or agent must:

(1) base the availability of the loss-control or value-added product or service on documented objective criteria;

(2) offer the product or service in a manner that is not unfairly discriminatory; and

(3) maintain the documented criteria and produce the criteria on request by the department.

Sec. 1702.052. PROHIBITED INDUCEMENTS. Except as provided by this chapter, an insurer, health maintenance organization, or agent may not:

(1) offer or provide insurance, annuity, or health care plan coverage as an inducement to the purchase of another policy or contract; or

(2) otherwise use "free," "no cost," or words of similar meaning in an advertisement.

Sec. 1702.053. NON-CASH GIFTS, CHARITABLE DONATIONS, RAFFLES, OR OTHER ITEMS AND SERVICES. (a) An insurer, health maintenance organization, or agent may offer or provide non-cash gifts, items, or services, including meals, to or charitable donations on behalf of a consumer, in connection with the marketing, sale, purchase, or retention of policies or contracts of insurance, annuity, or health care plan coverage, provided:

(1) the cost does not exceed an amount determined to be reasonable by the commissioner per policy or contract year per

1 term;

2 (2) the offer is made in a manner that is not unfairly
3 discriminatory; and

4 (3) the consumer is not required to purchase, continue
5 to purchase, or renew a policy or contract in exchange for the gift,
6 item, or service.

7 (b) An insurer, health maintenance organization, or agent
8 may conduct raffles or drawings to the extent permitted by the laws
9 of this state, provided:

10 (1) there is no financial cost to participate;

11 (2) the raffle or drawing does not obligate
12 participants to purchase, continue to purchase, or renew a policy
13 or contract;

14 (3) the prizes are not valued in excess of a reasonable
15 amount determined by the commissioner and the raffle or drawing is
16 open to the public; and

17 (4) the raffle or drawing is offered in a manner that
18 is not unfairly discriminatory.

19 SUBCHAPTER C. PRACTICES RELATED TO LIFE AND ANNUITY COVERAGE

20 Sec. 1702.101. APPLICABILITY OF SUBCHAPTER. This
21 subchapter applies only to an insurer described by Section
22 1702.003.

23 Sec. 1702.102. PROHIBITED REBATES AND INDUCEMENTS. (a)
24 Except as provided by this subchapter, an insurer or agent may not,
25 with respect to business written in this state:

26 (1) knowingly permit the making of, offer to make, or
27 make a life insurance policy or annuity contract or an agreement

1 regarding the policy or contract, other than as plainly expressed
2 in the issued policy or contract;

3 (2) directly or indirectly pay, give, or allow or
4 offer to pay, give, or allow as inducement to enter into a life
5 insurance policy or annuity contract either:

6 (A) a rebate of premiums payable on the policy or
7 contract; or

8 (B) a special favor or advantage in the dividends
9 or other benefits of the policy or contract or a valuable
10 consideration or inducement not specified in the policy or
11 contract; or

12 (3) give, sell, or purchase or offer to give, sell, or
13 purchase in connection with a life insurance policy or annuity
14 contract or as inducement to enter into the policy or contract:

15 (A) stocks, bonds, or other securities of an
16 insurer or other corporation, association, or partnership;

17 (B) dividends or profits accrued from the stocks,
18 bonds, or securities; or

19 (C) anything of value not specified in the
20 contract.

21 (b) An insurer may not permit an agent, officer, or employee
22 to issue or deliver as an inducement to enter into a life insurance
23 policy or annuity contract:

24 (1) company stock or other capital stock;

25 (2) a benefit certificate or share in a corporation;

26 (3) a security; or

27 (4) a special or advisory board contract or any other

1 contract promising returns or profits.

2 (c) This section does not prohibit issuing or delivering a
3 participating insurance policy or annuity contract otherwise
4 authorized by law.

5 Sec. 1702.103. PROHIBITED DISTINCTIONS AND DISCRIMINATION.
6 Except as provided by Section 1702.104, an insurer may not, with
7 respect to a life insurance policy or annuity contract, make or
8 permit a distinction or unfair discrimination between individuals
9 of the same class and equal life expectancy regarding:

10 (1) the rate charged;

11 (2) the dividend or other payable benefit; or

12 (3) any of the other terms of the policy or contract.

13 Sec. 1702.104. EXEMPTIONS. The following are not
14 considered to constitute a rebate, inducement, distinction, or
15 discrimination prohibited by this subchapter:

16 (1) for a life insurance policy or annuity contract, a
17 bonus payment to a policyholder or contract holder or other
18 abatement in the policyholder's or contract holder's premiums
19 provided wholly or partly out of surplus accumulated from
20 nonparticipating policies or contracts if the payment or abatement:

21 (A) is fair and equitable to policyholders and
22 contract holders; and

23 (B) is in the best interests of the insurer and
24 the insurer's policyholders and contract holders;

25 (2) for a life insurance policy issued on an
26 industrial debit plan, an allowance to a policyholder who has
27 continuously for a specified period made premium payments directly

1 to the insurer's office that is in an amount that fairly represents
2 the insurer's savings in collection expenses;

3 (3) for a group insurance policy, a readjustment in
4 the rate of premium based on the loss or expense experience under
5 the policy at the end of a policy year if the adjustment is
6 retroactive for only that policy year;

7 (4) for an annuity contract, a waiver of surrender
8 charges under the contract when the contract holder exchanges that
9 contract for another annuity contract issued by the same insurer or
10 an affiliate of the same insurer that is part of the same holding
11 company group if:

12 (A) the waiver and the exchange are fully,
13 fairly, and accurately explained to the contract holder in a manner
14 that is not deceptive or misleading; and

15 (B) the contract holder is given credit for the
16 time that the previous contract was held in determining any
17 surrender charges under the new contract;

18 (5) in connection with an offer or sale of a life
19 insurance policy or annuity contract, a promotional advertising
20 item, educational item, or traditional courtesy commonly extended
21 to consumers and that is valued at \$25 or less; or

22 (6) any loss-control or value-added service or product
23 or other item allowed by Subchapter B.

24 SUBCHAPTER D. PRACTICES RELATED TO ACCIDENT AND HEALTH COVERAGE

25 Sec. 1702.151. APPLICABILITY OF SUBCHAPTER. This
26 subchapter applies only to an insurer or health maintenance
27 organization described by Section 1702.004.

Sec. 1702.152. PROHIBITED REBATES AND INDUCEMENTS. (a)

Except as provided by this subchapter or another provision in this code, with respect to accident and health insurance or health care plan coverage written in this state, an insurer, health maintenance organization, or agent may not:

(1) knowingly permit the making of or offering of, offer to make, or make an accident and health insurance policy or health care plan contract or an agreement regarding the policy or contract other than as plainly expressed in the issued policy or contract;

(2) directly or indirectly pay, give, or allow or offer to pay, give, or allow as an inducement to enter into an accident and health insurance policy or health care plan contract:

(A) a rebate of premiums payable on the policy or contract; or

(B) a special favor or advantage in the dividends or other benefits of the policy or contract or a valuable consideration or inducement not specified in the policy or contract; or

(3) give, sell, or purchase or offer to give, sell, or purchase in connection with an accident and health insurance policy or health care plan contract or as an inducement to enter into the policy or contract:

(A) stocks, bonds, or other securities of an insurer or other corporation, association, or partnership;

(B) dividends or profits accrued from the stocks, bonds, or securities; or

1 (C) anything of value not specified in the policy
2 or contract.

3 (b) An insurer or health maintenance organization may not
4 permit an agent, officer, or employee to issue or deliver as an
5 inducement to entering into an insurance policy or health care plan
6 contract:

- 7 (1) company stock or other capital stock;
8 (2) a benefit certificate or share in a corporation;
9 (3) securities; or
10 (4) a special or advisory board contract or any other
11 contract promising returns or profits.

12 (c) This section does not prohibit an insurer or health
13 maintenance organization from issuing or delivering a
14 participating insurance policy or health care plan contract
15 otherwise authorized by law.

16 Sec. 1702.153. PROHIBITED DISCRIMINATION AND DISTINCTIONS.
17 Except as provided by Section 1702.154 and other applicable
18 provisions in this code specific to particular types of accident
19 and health coverage or health care plan coverage, an insurer or
20 health maintenance organization may not, with respect to an
21 accident and health insurance policy or health care plan contract,
22 make or permit a distinction or an unfair discrimination between
23 individuals of the same class and equal life expectancy regarding:

- 24 (1) the rate charged;
25 (2) the dividend or other payable benefit; or
26 (3) any of the other terms of the policy or contract.

27 Sec. 1702.154. EXEMPTIONS. The following are not

1 considered a rebate, inducement, or discrimination prohibited by
2 this subchapter:

3 (1) for an accident and health policy or a health care
4 plan contract, a bonus payment to a policyholder or contract holder
5 or other abatement in the policyholder's or contract holder's
6 premiums provided wholly or partly out of surplus accumulated from
7 nonparticipating policies or contracts if the bonus or abatement:

8 (A) is fair and equitable to policyholders or
9 contract holders; and

10 (B) is in the best interests of the insurer or
11 health maintenance organization and its policyholders or contract
12 holders;

13 (2) for a group insurance policy or health care plan
14 contract, a readjustment in the rate of premium based on the loss or
15 expense experience under the policy or contract at the end of a
16 policy or contract year if the adjustment is retroactive for only
17 that policy or contract year;

18 (3) in connection with an offer or sale of an accident
19 and health insurance policy or health care plan contract, a
20 promotional advertising item, educational item, or traditional
21 courtesy commonly extended to consumers and that is valued at \$25 or
22 less; or

23 (4) a loss-control or value-added product or service
24 or other item allowed by Subchapter B.

25 Sec. 1702.155. PROGRAMS PROMOTING DISEASE PREVENTION,
26 WELLNESS, AND HEALTH. (a) An insurer issuing an accident and
27 health insurance policy or a health maintenance organization

1 issuing a health care plan contract may establish premium
2 discounts, rebates, or a reduction in otherwise applicable
3 copayments, coinsurance, or deductibles, or any combination of
4 those incentives, for an insured or enrollee who participates in
5 programs promoting disease prevention, wellness, or health.

6 (b) A discount, rebate, or reduction established under this
7 section is not considered a prohibited rebate or inducement or
8 unfair discrimination.

9 SECTION 3. Section 81.001(c), Insurance Code, is amended to
10 read as follows:

11 (c) This section does not apply to conduct that is:

12 (1) a violation that is ongoing at the time the
13 department seeks to impose the sanction, penalty, or fine;

14 (2) a violation of Subchapter A, Chapter 544, or
15 Section 1702.103 [~~541.057~~], as those provisions relate to
16 discrimination on the basis of race or color, regardless of the time
17 the conduct occurs; or

18 (3) a violation of Title 5, Labor Code.

19 SECTION 4. Section 846.007(d), Insurance Code, is amended
20 to read as follows:

21 (d) A multiple employer welfare arrangement may establish
22 premium discounts, rebates, or a reduction in otherwise applicable
23 copayments or deductibles in return for adherence to programs of
24 health promotion and disease prevention. A discount, rebate, or
25 reduction established under this subsection does not violate
26 Section 1702.152 [~~541.056(a)~~].

27 SECTION 5. Section 1114.057, Insurance Code, is amended to

1 read as follows:

2 Sec. 1114.057. DISCLOSURE OF AVAILABILITY OF WAIVER OF
3 SURRENDER CHARGES. An insurer that offers to waive surrender
4 charges as described by Section 1702.104(4) [~~541.058(b)(4)~~] shall
5 provide reasonable notice of that offer to the insurer's
6 prospective or current contract holders. The notice may be
7 provided by any available means, including a disclosure document or
8 by display on a link that is prominently placed on the insurer's
9 Internet website.

10 SECTION 6. Section ~~1501.107(b)~~, Insurance Code, is amended
11 to read as follows:

12 (b) A discount, rebate, or reduction established under this
13 section does not violate Section 1702.152 [~~541.056(a)~~].

14 SECTION 7. Sections ~~541.056~~, ~~541.057~~, ~~541.058~~, ~~543.003~~, and
15 ~~1201.013~~, Insurance Code, are repealed.

16 SECTION 8. The changes in law made by this Act apply only to
17 an insurance policy, annuity contract, or health care plan contract
18 that is delivered, issued for delivery, or renewed on or after
19 January 1, 2026. A policy or contract delivered, issued for
20 delivery, or renewed before January 1, 2026, is governed by the law
21 as it existed immediately before the effective date of this Act, and
22 that law is continued in effect for that purpose.

23 SECTION 9. This Act takes effect September 1, 2025.