

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) a person authorized to act as an insurance

1 agent as defined by Section 4001.003; or

2 (B) a third-party administrator authorized to
3 act as an administrator for an insurer under Chapter 4151.

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

9 (3) "Enrollee" and "health care plan" have the
10 meanings assigned by Section 843.002.

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

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

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

26 (B) is primarily designed to do one or more of the
27 following:

- 1 (i) provide loss mitigation or loss
2 control;
- 3 (ii) reduce claim costs or claim settlement
4 costs;
- 5 (iii) provide education about liability
6 risks or risk of loss to persons or property;
- 7 (iv) monitor or assess risk, identify
8 sources of risk, or develop strategies for eliminating or reducing
9 risk;
- 10 (v) enhance health;
- 11 (vi) enhance financial wellness through
12 items such as education or financial planning services;
- 13 (vii) provide post-loss services;
- 14 (viii) provide incentives for behavioral
15 changes to improve the health or reduce the risk of death or
16 disability of an insured, annuitant, or enrollee; or
- 17 (ix) assist in the administration of
18 employee or retiree benefit insurance, annuity, or health care plan
19 coverage.

20 Sec. 1702.003. APPLICABILITY OF CHAPTER: LIFE INSURANCE AND
21 ANNUITIES. (a) Except as otherwise provided by this chapter, this
22 chapter applies to an insurance company writing life insurance and
23 annuities in this state, including:

- 24 (1) a stock life insurance company;
- 25 (2) a mutual life insurance company, including a
26 mutual life assessment company;
- 27 (3) a stipulated premium life insurance company; and

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

(b) This chapter applies to a third-party administrator acting on behalf of a life insurer.

Sec. 1702.004. APPLICABILITY OF CHAPTER: ACCIDENT AND HEALTH. (a) 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 multiple employer welfare arrangement that holds a certificate of coverage under Chapter 846;

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

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

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

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

6 (b) This chapter applies to a third-party administrator
7 acting on behalf of an accident and health insurer.

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

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

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

21 (3) permit an insurer, health maintenance
22 organization, or agent or any other person to obtain information
23 from a tracking device used as part of a loss-control or value-added
24 product or service permitted under this chapter in a manner that
25 would violate privacy requirements under Chapter 601 or 602.

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

1 SUBCHAPTER B. ANCILLARY PRODUCTS OR SERVICES AND PROHIBITED

2 INDUCEMENTS

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

10 (b) If an insurer, health maintenance organization, or
11 agent provides a loss-control or value-added product or service to
12 an insured, annuitant, or enrollee, the insurer, health maintenance
13 organization, or agent must ensure that the insured, annuitant, or
14 enrollee is provided with contact information to assist the
15 insured, annuitant, or enrollee with questions regarding the
16 product or service.

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

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

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

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

25 (d) An insurer, health maintenance organization, or agent
26 may not use or implement a tracking device to track or gather the
27 data of an individual as part of a loss-control or value-added

product or service unless, before any use or implementation:

(1) the intended use or implementation of the device is disclosed to the individual; and

(2) the individual consents to the device's use or implementation.

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. NONCASH GIFTS, CHARITABLE DONATIONS, RAFFLES, OR OTHER ITEMS AND SERVICES. (a) An insurer, health maintenance organization, or agent may offer or provide noncash 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 term;

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

(3) the consumer is not required to purchase, continue to purchase, or renew a policy or contract in exchange for the gift,

1 item, or service.

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

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

6 (2) the raffle or drawing does not obligate
7 participants to purchase, continue to purchase, or renew a policy
8 or contract;

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

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

14 SUBCHAPTER C. PRACTICES RELATED TO LIFE AND ANNUITY COVERAGE

15 Sec. 1702.101. APPLICABILITY OF SUBCHAPTER. This
16 subchapter applies only to an insurer described by Section
17 1702.003.

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

21 (1) knowingly permit the making of, offer to make, or
22 make a life insurance policy or annuity contract or an agreement
23 regarding the policy or contract, other than as plainly expressed
24 in the issued policy or contract;

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

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

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

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

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

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

14 (C) anything of value not specified in the
15 contract.

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

19 (1) company stock or other capital stock;

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

21 (3) a security; or

22 (4) a special or advisory board contract or any other
23 contract promising returns or profits.

24 (c) This section does not prohibit issuing or delivering a
25 participating insurance policy or annuity contract otherwise
26 authorized by law.

27 Sec. 1702.103. PROHIBITED DISTINCTIONS AND DISCRIMINATION.

1 Except as provided by Section 1702.104, an insurer may not, with
2 respect to a life insurance policy or annuity contract, make or
3 permit a distinction or unfair discrimination between individuals
4 of the same class and equal life expectancy regarding:

5 (1) the rate charged;

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

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

8 Sec. 1702.104. EXEMPTIONS. The following are not
9 considered to constitute a rebate, inducement, distinction, or
10 discrimination prohibited by this subchapter:

11 (1) for a life insurance policy or annuity contract, a
12 bonus payment to a policyholder or contract holder or other
13 abatement in the policyholder's or contract holder's premiums
14 provided wholly or partly out of surplus accumulated from
15 nonparticipating policies or contracts if the payment or abatement:

16 (A) is fair and equitable to policyholders and
17 contract holders; and

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

20 (2) for a life insurance policy issued on an
21 industrial debit plan, an allowance to a policyholder who has
22 continuously for a specified period made premium payments directly
23 to the insurer's office that is in an amount that fairly represents
24 the insurer's savings in collection expenses;

25 (3) for a group insurance policy, a readjustment in
26 the rate of premium based on the loss or expense experience under
27 the policy at the end of a policy year if the adjustment is

1 retroactive for only that policy year;

2 (4) for an annuity contract, a waiver of surrender
3 charges under the contract when the contract holder exchanges that
4 contract for another annuity contract issued by the same insurer or
5 an affiliate of the same insurer that is part of the same holding
6 company group if:

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

10 (B) the contract holder is given credit for the
11 time that the previous contract was held in determining any
12 surrender charges under the new contract;

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

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

19 SUBCHAPTER D. PRACTICES RELATED TO ACCIDENT AND HEALTH COVERAGE

20 Sec. 1702.151. APPLICABILITY OF SUBCHAPTER. This
21 subchapter applies only to an insurer or health maintenance
22 organization described by Section 1702.004.

23 Sec. 1702.152. PROHIBITED REBATES AND INDUCEMENTS. (a)
24 Except as provided by this subchapter or another provision in this
25 code, with respect to accident and health insurance or health care
26 plan coverage written in this state, an insurer, health maintenance
27 organization, or agent may not:

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

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

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

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

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

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

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

23 (C) anything of value not specified in the policy
24 or contract.

25 (b) An insurer or health maintenance organization may not
26 permit an agent, officer, or employee to issue or deliver as an
27 inducement to entering into an insurance policy or health care plan

1 contract:

2 (1) company stock or other capital stock;

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

4 (3) securities; or

5 (4) a special or advisory board contract or any other
6 contract promising returns or profits.

7 (c) This section does not prohibit an insurer or health
8 maintenance organization from issuing or delivering a
9 participating insurance policy or health care plan contract
10 otherwise authorized by law.

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

19 (1) the rate charged;

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

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

22 Sec. 1702.154. EXEMPTIONS. The following are not
23 considered a rebate, inducement, or discrimination prohibited by
24 this subchapter:

25 (1) for an accident and health policy or a health care
26 plan contract, a bonus payment to a policyholder or contract holder
27 or other abatement in the policyholder's or contract holder's

premiums provided wholly or partly out of surplus accumulated from nonparticipating policies or contracts if the bonus or abatement:

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

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

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

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

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

Sec. 1702.155. PROGRAMS PROMOTING DISEASE PREVENTION, WELLNESS, AND HEALTH. (a) An insurer issuing an accident and health insurance policy or a health maintenance organization issuing a health care plan contract may establish premium discounts, rebates, or a reduction in otherwise applicable copayments, coinsurance, or deductibles, or any combination of those incentives, for an insured or enrollee who participates in programs promoting disease prevention, wellness, or health.

1 (b) A discount, rebate, or reduction established under this
2 section is not considered a prohibited rebate or inducement, an
3 unfair method of competition, or an unfair or deceptive act or trade
4 practice in the business of insurance.

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

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

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

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

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

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

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

23 SECTION 5. Section 1114.057, Insurance Code, is amended to
24 read as follows:

25 Sec. 1114.057. DISCLOSURE OF AVAILABILITY OF WAIVER OF
26 SURRENDER CHARGES. An insurer that offers to waive surrender
27 charges as described by Section 1702.104(4) [~~541.058(b)(4)~~] shall

1 provide reasonable notice of that offer to the insurer's
2 prospective or current contract holders. The notice may be
3 provided by any available means, including a disclosure document or
4 by display on a link that is prominently placed on the insurer's
5 Internet website.

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

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

10 SECTION 7. Sections 541.056, 541.057, 541.058, 543.003, and
11 1201.013, Insurance Code, are repealed.

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

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

H.B. No. 2221

President of the Senate

Speaker of the House

I certify that H.B. No. 2221 was passed by the House on May 2, 2025, by the following vote: Yeas 132, Nays 0, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 2221 on May 28, 2025, by the following vote: Yeas 124, Nays 12, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 2221 was passed by the Senate, with amendments, on May 26, 2025, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor