

AN ACT

relating to the exchange or surrender of an annuity contract.

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

SECTION 1. Subchapter B, Chapter 1114, Insurance Code, is amended by adding Sections 1114.0541 and 1114.0542 to read as follows:

Sec. 1114.0541. PROCESSING OF ANNUITY CONTRACT EXCHANGES.

(a) In this section, "exchange" means an annuity replacement transaction:

(1) in which the money in an existing annuity contract must pass directly from the existing annuity contract and existing insurer to a new annuity contract and a replacing insurer; and

(2) in which the owner and annuitant of the new contract are the same as the owner and annuitant of the existing contract, regardless of whether the owner or annuitant may be changed after completion of the transaction.

(b) If a transaction involves an exchange of an annuity contract, the existing insurer and the replacing insurer shall comply with this section.

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

(d) An exchange request notice:

(1) must include:

1 (A) all information necessary for the exchange to
2 qualify as a tax-free exchange under 26 U.S.C. Section 1035; and

3 (B) any information required by state law; and

4 (2) may be provided on a form promulgated by the
5 Association for Cooperative Operations Research and Development or
6 another generally accepted form or in any other manner used by an
7 insurer.

8 (e) An existing insurer that receives an exchange request
9 notice shall:

10 (1) not later than the fifth business day after the
11 date the existing insurer received the notice, send a letter to the
12 contract owner, as required under Section 1114.054(c), unless the
13 existing insurer has previously provided it; and

14 (2) subject to Subsection (f), transfer the contract
15 value of the existing annuity to the replacing insurer not later
16 than the 30th business day after the date the existing insurer
17 receives the notice unless:

18 (A) the existing annuity contract being
19 exchanged has a provision that gives the existing insurer the right
20 to defer payment for a different period;

21 (B) the existing insurer, replacing insurer, and
22 contract owner agree to a different transfer period, including an
23 agreement to make the transfer on a specific future date;

24 (C) a different transfer period is required under
25 state or federal law; or

26 (D) the existing insurer makes a determination or
27 reasonably suspects the exchange involves a fraudulent insurance

1 act the insurer is required to report under Section [701.051](#).

2 (f) If an exchange request notice provided to an existing
3 insurer under Subsection (c) does not include all required
4 information necessary to complete the exchange, the applicable
5 period to transfer the contract value does not begin until the day
6 the existing insurer receives all required information from the
7 replacing insurer or contract owner, as applicable.

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

15 (h) Nothing in this section is intended to:

16 (1) change the suitability requirements applicable to
17 an agent or insurer seeking to replace an annuity under Chapter
18 [1115](#); or

19 (2) prohibit a replacing insurer and existing insurer
20 from agreeing to use different formats or modes for assisting
21 contract owners in the timely and efficient processing of
22 replacements or exchanges of annuity contracts.

23 Sec. 1114.0542. PROCESSING OF SURRENDER REQUESTS FOR
24 ANNUITY CONTRACTS. (a) To initiate a surrender of an annuity
25 contract, a contract owner must submit a surrender request to the
26 insurer in the form and manner required by the insurer. An insurer
27 that issues an annuity contract shall make available to the

contract owner the form and manner in which the contract owner may submit the surrender request.

(b) An insurer that receives a surrender request from a contract owner shall, subject to Subsection (c), 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:

(1) the contract being surrendered has a provision that gives the insurer the right to defer payment for a different period;

(2) the insurer and contract owner agree to a different transfer period, including an agreement to make the transfer on a specific future date;

(3) a different transfer period is required under state or federal law; or

(4) the insurer makes a determination or reasonably suspects the surrender request involves a fraudulent insurance act the insurer is required to report under Section [701.051](#).

(c) 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) 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, the insurer shall pay penalty interest on the unpaid amount at an annual rate of 10 percent

1 accruing from the first business day after the date the cash
2 surrender value was required to be transferred until the cash
3 surrender value is transferred to the contract owner in full.

4 (e) Nothing in this section is intended to change the
5 suitability requirements applicable to an agent or other person
6 advising a contract owner to surrender an annuity under Chapter
7 [1115](#).

8 SECTION 2. Sections 1114.0541 and 1114.0542, Insurance
9 Code, as added by this Act, apply only to an exchange or surrender
10 of an annuity contract initiated on or after January 1, 2026.

11 SECTION 3. This Act takes effect September 1, 2025.

H.B. No. 4386

President of the Senate

Speaker of the House

I certify that H.B. No. 4386 was passed by the House on May 6, 2025, by the following vote: Yeas 145, Nays 1, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 4386 on May 28, 2025, by the following vote: Yeas 135, Nays 0, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 4386 was passed by the Senate, with amendments, on May 22, 2025, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor