

By: Wharton

H.B. No. 4386

Substitute the following for H.B. No. 4386:

By: Dean

C.S.H.B. No. 4386

A BILL TO BE ENTITLED

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 on a form provided by the existing insurer. An existing insurer shall make an exchange request notice form available on the insurer's Internet website or require a contract

owner or replacing insurer to request from the insurer a physical copy of the form.

(d) An exchange request notice form may include or require only the following elements:

(1) a statement that the contract owner has authorized the replacing insurer to initiate the exchange;

(2) the existing annuity contract number;

(3) the name, mailing address, e-mail address, and telephone number of the contract owner and annuitant;

(4) delivery instructions for the transfer of money;

(5) the ink or electronic signature of the contract owner; and

(6) any disclosure documents required by federal law relating to an exchange or replacement of an annuity.

(e) An existing insurer that receives an exchange request notice from the contract owner and the replacing insurer shall:

(1) acknowledge receipt of the notice not later than the fifth business day after the date the existing insurer received the notice; and

(2) unless the existing annuity contract being exchanged has a provision that gives the existing insurer the right to defer payment for a different period, and 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.

(f) If an exchange request notice form provided to an existing insurer under Subsection (c) does not include all required

1 information, the applicable period to transfer the contract value
2 does not begin until the day the existing insurer receives all
3 required information from the replacing insurer or contract owner,
4 as applicable.

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

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

13 (1) change the suitability requirements applicable to
14 an agent or insurer seeking to replace an annuity under Chapter
15 [1115](#); or

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

20 Sec. 1114.0542. PROCESSING OF SURRENDER REQUESTS FOR
21 ANNUITY CONTRACTS. (a) To initiate a surrender of an annuity
22 contract, a contract owner must submit a surrender request on a form
23 required by the insurer. An insurer that issues an annuity contract
24 shall make a surrender request form available on the insurer's
25 Internet website or require the contract owner to request a
26 physical copy of the form from the insurer. If a contract owner
27 submits a written request for a physical copy of the form, the

insurer shall mail the form to the contract owner not later than the fifth business day after the date the insurer receives the request.

(b) A surrender request form may include or require only the following elements:

(1) a statement that the contract owner intends to surrender the annuity contract;

(2) the annuity contract number;

(3) the name, mailing address, e-mail address, and telephone number of the contract owner;

(4) delivery instructions for the transfer of money;

(5) instructions for tax withholding;

(6) the ink or electronic signature of the contract owner; and

(7) any other document or disclosure required by federal or state law.

(c) An insurer that receives a surrender request from a contract owner shall:

(1) acknowledge receipt of the request not later than the fifth business day after the date the insurer receives the request; and

(2) unless the contract being surrendered has a provision that gives the insurer the right to defer payment for a different period, and subject to Subsection (d), 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.

(d) If a surrender request form submitted to an insurer

1 under Subsection (a) does not include all required information, the
2 applicable period to transfer the cash surrender value does not
3 begin until the day the insurer receives all required information
4 from the contract owner.

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

12 (f) Nothing in this section is intended to change the
13 suitability requirements applicable to an agent or other person
14 advising a contract owner to surrender an annuity under Chapter
15 [1115](#).

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

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