

1-1 By: Wharton (Senate Sponsor - Parker) H.B. No. 4386
1-2 (In the Senate - Received from the House May 6, 2025;
1-3 May 7, 2025, read first time and referred to Committee on Business
1-4 & Commerce; May 20, 2025, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 11, Nays 0;
1-6 May 20, 2025, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	Schwertner	X		
1-10	King	X		
1-11	Blanco	X		
1-12	Campbell	X		
1-13	Creighton	X		
1-14	Johnson	X		
1-15	Kolkhorst	X		
1-16	Menéndez	X		
1-17	Middleton	X		
1-18	Nichols	X		
1-19	Zaffirini	X		

1-20 COMMITTEE SUBSTITUTE FOR H.B. No. 4386 By: King

1-21 A BILL TO BE ENTITLED
1-22 AN ACT

1-23 relating to the exchange or surrender of an annuity contract.
1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-25 SECTION 1. Subchapter B, Chapter 1114, Insurance Code, is
1-26 amended by adding Sections 1114.0541 and 1114.0542 to read as
1-27 follows:
1-28 Sec. 1114.0541. PROCESSING OF ANNUITY CONTRACT EXCHANGES.
1-29 (a) In this section, "exchange" means an annuity replacement
1-30 transaction:
1-31 (1) in which the money in an existing annuity contract
1-32 must pass directly from the existing annuity contract and existing
1-33 insurer to a new annuity contract and a replacing insurer; and
1-34 (2) in which the owner and annuitant of the new
1-35 contract are the same as the owner and annuitant of the existing
1-36 contract, regardless of whether the owner or annuitant may be
1-37 changed after completion of the transaction.
1-38 (b) If a transaction involves an exchange of an annuity
1-39 contract, the existing insurer and the replacing insurer shall
1-40 comply with this section.
1-41 (c) To initiate an exchange of an annuity contract, the
1-42 replacing insurer shall provide the existing insurer an exchange
1-43 request notice of the proposed exchange.
1-44 (d) An exchange request notice:
1-45 (1) must include:
1-46 (A) all information necessary for the exchange to
1-47 qualify as a tax-free exchange under 26 U.S.C. Section 1035; and
1-48 (B) any information required by state law; and
1-49 (2) may be provided on a form promulgated by the
1-50 Association for Cooperative Operations Research and Development or
1-51 another generally accepted form or in any other manner used by an
1-52 insurer.
1-53 (e) An existing insurer that receives an exchange request
1-54 notice shall:
1-55 (1) not later than the fifth business day after the
1-56 date the existing insurer received the notice, send a letter to the
1-57 contract owner, as required under Section 1114.054(c), unless the
1-58 existing insurer has previously provided it; and
1-59 (2) subject to Subsection (f), transfer the contract
1-60 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:

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

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

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

(D) the existing insurer makes a determination or reasonably suspects the exchange involves a fraudulent insurance act the insurer is required to report under Section 701.051.

(f) 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) If a required transfer payment is not completed within the period provided by Subsection (e)(2) or the existing annuity contract, as applicable, the existing insurer shall pay penalty interest on the unpaid amount at 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) Nothing in this section is intended to:

(1) change the suitability requirements applicable to an agent or insurer seeking to replace an annuity under Chapter 1115; or

(2) 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) To initiate a surrender of an annuity contract, a contract owner must submit a surrender request to the insurer in the form and manner required by the insurer. An insurer 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 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.

3-8 SECTION 3. This Act takes effect September 1, 2025.

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