

**House Bill 4386**  
Senate Amendments  
Section-by-Section Analysis

HOUSE VERSION

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

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

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(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:

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

(B) any information required by state law; and

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

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(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 information, 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 transfer payment is not completed within the period provided by Subsection (e)(2) or the existing annuity

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

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

(2) 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 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

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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 on a form required by the insurer. An insurer that issues an annuity contract shall make a surrender request form available on the insurer's Internet website or require the contract owner to request a physical copy of the form from the insurer. If a contract owner 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;

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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.

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(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 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.

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(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.

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<p><u>(e) If payment of a cash surrender value is not completed within the period provided by Subsection (c)(2) 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.</u></p> <p><u>(f) Nothing in this section is intended to change the suitability requirements applicable to an agent or other person advising a contract owner to surrender an annuity under Chapter 1115.</u></p>	<p><u>(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.</u></p> <p><u>(e) Nothing in this section is intended to change the suitability requirements applicable to an agent or other person advising a contract owner to surrender an annuity under Chapter 1115.</u></p>	
<p>SECTION 2. Sections 1114.0541 and 1114.0542, Insurance Code, as added by this Act, apply only to an exchange or surrender of an annuity contract initiated on or after January 1, 2026.</p>	<p>SECTION 2. Same as House version.</p>	
<p>SECTION 3. This Act takes effect September 1, 2025.</p>	<p>SECTION 3. Same as House version.</p>	