

1-1 By: Craddick (Senate Sponsor - Hancock) H.B. No. 3370
 1-2 (In the Senate - Received from the House May 3, 2017;
 1-3 May 10, 2017, read first time and referred to Committee on Business
 1-4 & Commerce; May 22, 2017, reported adversely, with favorable
 1-5 Committee Substitute by the following vote: Yeas 8, Nays 0;
 1-6 May 22, 2017, sent to printer.)

1-7 COMMITTEE VOTE

| | Yea | Nay | Absent | PNV |
|------|-----|-----|--------|-----|
| 1-8 | | | | |
| 1-9 | X | | | |
| 1-10 | X | | | |
| 1-11 | X | | | |
| 1-12 | X | | | |
| 1-13 | | | X | |
| 1-14 | X | | | |
| 1-15 | X | | | |
| 1-16 | X | | | |
| 1-17 | X | | | |

1-18 COMMITTEE SUBSTITUTE FOR H.B. No. 3370 By: Hancock

1-19 A BILL TO BE ENTITLED
 1-20 AN ACT

1-21 relating to certain disclosures and notices required for certain
 1-22 life insurance policies.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. Chapter 1101, Insurance Code, is amended by
 1-25 adding Subchapter E to read as follows:

1-26 SUBCHAPTER E. DISCLOSURES AND NOTICES RELATING TO LIFE INSURANCE
 1-27 POLICIES WITH NON-GUARANTEED ELEMENTS

1-28 Sec. 1101.201. PURPOSE. This subchapter is intended to
 1-29 provide standards for disclosures relating to life insurance
 1-30 policies subject to this subchapter and to recognize that a purpose
 1-31 of those life insurance policies is to provide insurance coverage
 1-32 at a lower initial premium than might otherwise be obtainable from
 1-33 the insurer if the insurer were not allowed to change the premium
 1-34 during the life of the policy.

1-35 Sec. 1101.202. APPLICABILITY. (a) This subchapter applies
 1-36 to a life insurance policy issued by an insurer, as defined by
 1-37 Section 1102.001, that contains non-guaranteed elements that may
 1-38 change at the discretion of the insurer.

1-39 (b) This subchapter does not apply to:

1-40 (1) group life insurance without separately
 1-41 identifiable accounts for insureds; or

1-42 (2) a life insurance policy in which the insurer
 1-43 assumes all risk and contractually guarantees a death benefit in
 1-44 exchange for a guaranteed premium set at the time of the policy's
 1-45 issuance.

1-46 Sec. 1101.203. DISCLOSURES AFTER ISSUANCE OF POLICY. (a)
 1-47 Subject to Section 1101.204, and unless the change is made pursuant
 1-48 to a previously implemented current cost of insurance schedule, if
 1-49 an insurer increases a non-guaranteed element in or decreases the
 1-50 credited interest rate for a policy after the policy's issuance,
 1-51 the insurer must provide a written notice to the policy owner
 1-52 disclosing:

1-53 (1) the non-guaranteed element that is being changed;

1-54 (2) the value of the non-guaranteed element before and
 1-55 after the proposed change;

1-56 (3) the maximum or minimum guaranteed value, as
 1-57 applicable, of the non-guaranteed element stated in the policy, if
 1-58 any;

1-59 (4) the effective date of the change;

1-60 (5) a comparison of the change to the current and

2-1 maximum or minimum guaranteed elements, as applicable, if any,
2-2 stated in the policy; and
2-3 (6) the options available to the policy owner under
2-4 the policy.
2-5 (b) The notice under Subsection (a) must include the
2-6 insurer's phone number and e-mail address and the following
2-7 statement in at least 12-point bold type:
2-8 "IMPORTANT NOTICE: An increase in a non-guaranteed element or
2-9 a decrease in the credited interest rate will have an adverse impact
2-10 on the longevity and value of your policy. You should request an
2-11 illustration of the impact of this change on your policy."
2-12 (c) Except as provided by this subsection, notice required
2-13 by Subsection (a) must be given not later than the 90th day before
2-14 the date the change is applied. For a decrease in the credited
2-15 interest rate for a policy, notice required by Subsection (a) may be
2-16 given at the time that the decrease is applied.
2-17 (d) If a policy owner affirmatively requests a loan, partial
2-18 surrender, or other action on the policy that might impact the
2-19 longevity of the policy, the insurer must provide to the policy
2-20 owner in writing, not later than the 10th day after the date the
2-21 owner makes the request, the insurer's phone number and e-mail
2-22 address and the following statement in at least 12-point bold type:
2-23 "IMPORTANT NOTICE: Your recent request will have an impact on
2-24 the longevity and value of your policy. You should request an
2-25 illustration of the impact of this change on your policy."
2-26 (e) Regardless of whether any non-guaranteed elements are
2-27 changed, an insurer that issues a policy subject to this subchapter
2-28 must provide to the policy owner at least annually an illustration
2-29 containing elements specified by the commissioner by rule.
2-30 Sec. 1101.204. NOTICE TO DEPARTMENT OF CERTAIN CHANGES TO
2-31 NON-GUARANTEED ELEMENTS. (a) Not later than the 180th day before
2-32 the effective date of an increase in a non-guaranteed element in an
2-33 individual's policy or certificate subject to this subchapter,
2-34 other than an increase pursuant to a previously implemented current
2-35 cost of insurance schedule, the insurer must provide notice to the
2-36 department if:
2-37 (1) except as provided by Subsection (b), the increase
2-38 in the non-guaranteed element will result in an aggregate increase
2-39 in the cost of insurance rate that is greater than 40 percent of the
2-40 cost of insurance rate for the preceding year; and
2-41 (2) the increase will be applied to a policy issued in
2-42 this state.
2-43 (b) The commissioner by rule may adopt a lower percentage
2-44 increase in a cost of insurance rate for which an insurer must
2-45 provide notice to the department under Subsection (a), but the
2-46 percentage adopted may not be lower than 20 percent.
2-47 (c) The notice under Subsection (a) must include:
2-48 (1) the specific approved policy form for which the
2-49 insurer will implement the increase;
2-50 (2) a copy of the disclosure to be provided under
2-51 Section 1101.203 to each owner whose policy was issued in this
2-52 state;
2-53 (3) information on the classes of owners who will
2-54 receive the disclosure;
2-55 (4) sufficient information for the department to
2-56 determine if the increase is actuarially justified;
2-57 (5) if applicable, sufficient information to
2-58 demonstrate compliance with the nonforfeiture values under Chapter
2-59 1105 for the increased premium; and
2-60 (6) any other information necessary to determine if
2-61 the increase will comply with the standards in this code.
2-62 (d) Not later than the 60th day after receipt of a notice
2-63 under this section, the commissioner may:
2-64 (1) disapprove the proposed increase if the
2-65 commissioner determines that the increase is not actuarially
2-66 justified or not in compliance with this code and provide the
2-67 insurer with a description in adequate detail of the changes
2-68 necessary to avoid disapproval; or
2-69 (2) withdraw approval under Section 1701.055 of the

3-1 applicable individual life insurance policy form.
3-2 (e) If the commissioner does not take action under
3-3 Subsection (d), the insurer may provide the disclosure required by
3-4 Section 1101.203 and apply the proposed increase in the
3-5 non-guaranteed element in the policy.
3-6 Sec. 1101.205. RULES. (a) The commissioner may adopt rules
3-7 as necessary to implement this subchapter.
3-8 (b) The commissioner by rule may exempt certain types of
3-9 life insurance policies from one or more of the requirements of this
3-10 subchapter.
3-11 SECTION 2. Subchapter E, Chapter 1101, Insurance Code, as
3-12 added by this Act, applies only to an increase in a non-guaranteed
3-13 element or a decrease in a credited interest rate that is applied to
3-14 an insurance policy on or after January 1, 2018.
3-15 SECTION 3. This Act takes effect September 1, 2017.

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