

1-1 By: Craddick (Senate Sponsor - Hancock) H.B. No. 207  
 1-2 (In the Senate - Received from the House April 23, 2019;  
 1-3 April 24, 2019, read first time and referred to Committee on  
 1-4 Business & Commerce; May 14, 2019, reported adversely, with  
 1-5 favorable Committee Substitute by the following vote: Yeas 8,  
 1-6 Nays 0; May 14, 2019, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8	X			
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. 207 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 CHARGES

1-28 Sec. 1101.201. PURPOSE. This subchapter is intended to  
 1-29 provide standards for disclosures relating to changes in certain  
 1-30 non-guaranteed charges of life insurance policies subject to this  
 1-31 subchapter.

1-32 Sec. 1101.202. DEFINITIONS. In this subchapter:

1-33 (1) "Adverse change" means a change by an insurer in  
 1-34 the insurer's current scale of charges applied to a policy that  
 1-35 increases a premium or charge to a policy owner.

1-36 (2) "Current scale of charges" means the scale or  
 1-37 schedule of non-guaranteed charges in effect for a policy during  
 1-38 the period of time immediately before an adverse change to the  
 1-39 policy.

1-40 (3) "Non-guaranteed charges" means the scale or  
 1-41 schedule of charges in a policy provision at the time the policy was  
 1-42 issued that may be changed at the insurer's discretion without the  
 1-43 consent or request of the policy owner. The term does not include a  
 1-44 policy loan interest rate charged on a policy loan.

1-45 Sec. 1101.203. APPLICABILITY. (a) This subchapter applies  
 1-46 to a life insurance policy issued by an insurer, as defined by  
 1-47 Section 1102.001, that contains non-guaranteed charges that may  
 1-48 change at the discretion of the insurer.

1-49 (b) This subchapter does not apply to:

1-50 (1) group life insurance without separately  
 1-51 identifiable accounts for insureds;

1-52 (2) a life insurance policy in which the insurer  
 1-53 assumes all risk and contractually guarantees a death benefit in  
 1-54 exchange for a guaranteed premium set at the time of the policy's  
 1-55 issuance;

1-56 (3) an individual or group annuity contract;

1-57 (4) credit life insurance;

1-58 (5) a life insurance policy with no illustrated death  
 1-59 benefits on any individual exceeding \$10,000;

1-60 (6) a bank-owned or corporate-owned life insurance

2-1 policy; or  
2-2 (7) a life insurance policy that does not provide for  
2-3 cash values or nonforfeiture values.  
2-4 Sec. 1101.204. DISCLOSURE OF NON-GUARANTEED CHARGE  
2-5 INCREASE AFTER ISSUANCE OF POLICY. (a) If an insurer increases a  
2-6 non-guaranteed charge applied to a policy, the insurer must provide  
2-7 a written notice to the policy owner:  
2-8 (1) disclosing:  
2-9 (A) each non-guaranteed charge that has changed;  
2-10 (B) the new scale of non-guaranteed charges after  
2-11 the change;  
2-12 (C) the current scale of charges; and  
2-13 (D) the guaranteed maximum scale of charges; and  
2-14 (2) including a prominent display of any adverse  
2-15 change in the current scale of charges identifying:  
2-16 (A) the nature of the change;  
2-17 (B) that the change is adverse or the conditions  
2-18 under which the change would be adverse; and  
2-19 (C) the new age and year at which the policy will  
2-20 lapse if there are no changes to payments or coverage.  
2-21 (b) The notice under Subsection (a) must include the  
2-22 insurer's telephone number and the following statement placed  
2-23 prominently on the front of the notice:  
2-24 "YOU SHOULD KNOW: This increase may change the value of your  
2-25 policy and may change how long your policy will last unless you  
2-26 increase your premium payments or reduce your coverage, if  
2-27 permitted under your policy. Ask your insurance company for an  
2-28 illustration, at no cost, that shows the effect of this change on  
2-29 your policy and discuss with your agent or financial advisor other  
2-30 options that are available to you."  
2-31 (c) The notice required by Subsection (a) must be given not  
2-32 later than the 90th day before the date the change is applied.  
2-33 (d) The notice required by Subsection (a) does not  
2-34 constitute an illustration, as defined by rules adopted by the  
2-35 department relating to life insurance illustrations.  
2-36 Sec. 1101.205. DISCLOSURE OF CREDITED INTEREST RATE  
2-37 DECREASE AFTER ISSUANCE OF POLICY. (a) If an insurer decreases the  
2-38 credited interest rate paid on a policy's accumulation value, the  
2-39 insurer must provide annually a written notice to the policy owner:  
2-40 (1) disclosing:  
2-41 (A) the new current credited interest rate;  
2-42 (B) the previous credited interest rate;  
2-43 (C) the minimum credited interest rate stated in  
2-44 the policy; and  
2-45 (D) the effective date of the change; and  
2-46 (2) including a prominent display of the new age and  
2-47 year at which the policy will lapse based on all changes to  
2-48 non-guaranteed charges and the credited interest rate if there are  
2-49 no changes to payments or coverage.  
2-50 (b) The notice under Subsection (a) must include the  
2-51 insurer's telephone number and the following statement placed  
2-52 prominently on the front of the notice:  
2-53 "YOU SHOULD KNOW: This decrease may change the value of your  
2-54 policy and may change how long your policy will last unless you  
2-55 increase your premium payments or reduce your coverage. Ask your  
2-56 insurance company for an in-force illustration that shows the  
2-57 effect of this change on your policy and discuss with your agent or  
2-58 financial advisor other options that are available to you."  
2-59 (c) Notwithstanding any other provision of this section,  
2-60 this section does not apply to or require disclosures for a variable  
2-61 universal or indexed life insurance policy.  
2-62 Sec. 1101.206. ANNUAL ILLUSTRATION. Regardless of whether  
2-63 any non-guaranteed charges are changed, an insurer that issues a  
2-64 policy subject to this subchapter must offer to provide to the  
2-65 policy owner at least annually an in-force illustration. If the  
2-66 insurer has changed any non-guaranteed charges or the credited  
2-67 interest rate, the insurer must offer the illustration at no  
2-68 charge.  
2-69 Sec. 1101.207. RULES. (a) The commissioner may adopt rules

3-1 as necessary to implement this subchapter.

3-2 (b) The commissioner by rule may exempt certain types of  
3-3 life insurance policies from one or more of the requirements of this  
3-4 subchapter.

3-5 (c) Section 2001.0045, Government Code, does not apply to  
3-6 rules adopted under this section.

3-7 SECTION 2. Subchapter E, Chapter 1101, Insurance Code, as  
3-8 added by this Act, applies only to an increase in a non-guaranteed  
3-9 charge applied to an insurance policy on or after January 1, 2020.  
3-10 Subchapter E, Chapter 1101, Insurance Code, as added by this Act,  
3-11 applies only to a decrease in a credited interest rate applied to an  
3-12 insurance policy on or after January 1, 2021.

3-13 SECTION 3. This Act takes effect September 1, 2019.

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