

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	<u>X</u>			
1-10	<u>X</u>			
1-11	<u>X</u>			
1-12	<u>X</u>			
1-13	<u>X</u>			
1-14	<u>X</u>			
1-15	<u>X</u>			
1-16	<u>X</u>			
1-17	<u>X</u>			
1-18	<u>X</u>			
1-19	<u>X</u>			

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

2-1 than the 30th business day after the date the existing insurer
2-2 receives the notice unless:

2-3 (A) the existing annuity contract being
2-4 exchanged has a provision that gives the existing insurer the right
2-5 to defer payment for a different period;

2-6 (B) the existing insurer, replacing insurer, and
2-7 contract owner agree to a different transfer period, including an
2-8 agreement to make the transfer on a specific future date;

2-9 (C) a different transfer period is required under
2-10 state or federal law; or

2-11 (D) the existing insurer makes a determination or
2-12 reasonably suspects the exchange involves a fraudulent insurance
2-13 act the insurer is required to report under Section 701.051.

2-14 (f) If an exchange request notice provided to an existing
2-15 insurer under Subsection (c) does not include all required
2-16 information necessary to complete the exchange, the applicable
2-17 period to transfer the contract value does not begin until the day
2-18 the existing insurer receives all required information from the
2-19 replacing insurer or contract owner, as applicable.

2-20 (g) If a required transfer payment is not completed within
2-21 the period provided by Subsection (e)(2) or the existing annuity
2-22 contract, as applicable, the existing insurer shall pay penalty
2-23 interest on the unpaid amount at an annual rate of 10 percent
2-24 accruing from the first business day after the date the contract
2-25 value was required to be transferred until the contract value is
2-26 transferred to the replacing insurer in full.

2-27 (h) Nothing in this section is intended to:

2-28 (1) change the suitability requirements applicable to
2-29 an agent or insurer seeking to replace an annuity under Chapter
2-30 1115; or

2-31 (2) prohibit a replacing insurer and existing insurer
2-32 from agreeing to use different formats or modes for assisting
2-33 contract owners in the timely and efficient processing of
2-34 replacements or exchanges of annuity contracts.

2-35 Sec. 1114.0542. PROCESSING OF SURRENDER REQUESTS FOR
2-36 ANNUITY CONTRACTS. (a) To initiate a surrender of an annuity
2-37 contract, a contract owner must submit a surrender request to the
2-38 insurer in the form and manner required by the insurer. An insurer
2-39 that issues an annuity contract shall make available to the
2-40 contract owner the form and manner in which the contract owner may
2-41 submit the surrender request.

2-42 (b) An insurer that receives a surrender request from a
2-43 contract owner shall, subject to Subsection (c), transfer the
2-44 current cash surrender value of the annuity contract to the
2-45 contract owner not later than the 30th business day after the date
2-46 the insurer receives the request unless:

2-47 (1) the contract being surrendered has a provision
2-48 that gives the insurer the right to defer payment for a different
2-49 period;

2-50 (2) the insurer and contract owner agree to a
2-51 different transfer period, including an agreement to make the
2-52 transfer on a specific future date;

2-53 (3) a different transfer period is required under
2-54 state or federal law; or

2-55 (4) the insurer makes a determination or reasonably
2-56 suspects the surrender request involves a fraudulent insurance act
2-57 the insurer is required to report under Section 701.051.

2-58 (c) If a surrender request submitted to an insurer under
2-59 Subsection (a) does not include all required information, the
2-60 applicable period to transfer the cash surrender value does not
2-61 begin until the day the insurer receives all required information
2-62 from the contract owner.

2-63 (d) If a required payment of a cash surrender value is not
2-64 completed within the period provided by Subsection (b) or the
2-65 annuity contract, as applicable, the insurer shall pay penalty
2-66 interest on the unpaid amount at an annual rate of 10 percent
2-67 accruing from the first business day after the date the cash
2-68 surrender value was required to be transferred until the cash
2-69 surrender value is transferred to the contract owner in full.

3-1 (e) Nothing in this section is intended to change the
3-2 suitability requirements applicable to an agent or other person
3-3 advising a contract owner to surrender an annuity under Chapter
3-4 1115.

3-5 SECTION 2. Sections 1114.0541 and 1114.0542, Insurance
3-6 Code, as added by this Act, apply only to an exchange or surrender
3-7 of an annuity contract initiated on or after January 1, 2026.

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

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