

BILL ANALYSIS

C.S.H.B. 207
By: Craddick
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

There are concerns about a lack of transparency with regard to the practice of some life insurance companies to increase policy costs based on discretionary factors. C.S.H.B. 207 seeks to address these concerns by establishing certain disclosure and notice requirements for life insurance policies with non-guaranteed charges.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 207 amends the Insurance Code to require an insurer that increases a non-guaranteed charge applied to an applicable life insurance policy that contains non-guaranteed charges that may change at the discretion of the insurer to provide to the policy owner a written notice disclosing:

- each non-guaranteed charge that has changed;
- the new scale of non-guaranteed charges after the change;
- the current scale of charges; and
- the guaranteed maximum scale of charges.

The bill requires the notice to include the insurer's telephone number; a statement, as prescribed by the bill, placed prominently on the front of the notice; and a prominent display of any adverse change in the current scale of charges identifying:

- the nature of the change;
- that the change is adverse or the conditions under which the change would be adverse;
- the age and year at which the policy would have lapsed if there had not been an adverse change or a change to payments or coverage; and
- the new age and year at which the policy will lapse if there are no changes to payments or coverage.

The bill requires the notice to be given not later than the 90th day before the date the change is applied. The bill defines "adverse change," "current scale of charges," and "non-guaranteed charges" for purposes of its provisions.

C.S.H.B. 207 requires an insurer that decreases the credited interest rate paid on an applicable life insurance policy's accumulation value to provide to the policy owner in the annual statement a written notice disclosing:

- the new current credited interest rate;

- the previous credited interest rate;
- the decrease in the credited interest rate;
- the minimum credited interest rate stated in the policy; and
- the effective date of the change.

The bill requires the notice to include the insurer's telephone number; a statement, as prescribed by the bill, placed prominently on the front of the notice; and a prominent display of the following information:

- the age and year at which the policy would have lapsed if there had not been a change to the credited interest rate or to payments or coverage; and
- the new age and year at which the policy will lapse based on all changes to non-guaranteed charges and the credited interest rate if there are no changes to payments or coverage.

C.S.H.B. 207 requires an insurer that issues an applicable life insurance policy, regardless of whether any non-guaranteed charges are changed, to offer to provide to the policy owner at least annually an illustration that shows the effect of a change to the policy. The bill requires such an insurer that has changed any non-guaranteed charges or the credited interest rate to offer the illustration at no charge.

C.S.H.B. 207 authorizes the commissioner of insurance to adopt rules as necessary to implement the bill's provisions and authorizes the commissioner by rule to exempt certain types of life insurance policies from one or more of the bill's requirements. The bill exempts rules so adopted from provisions of the Administrative Procedure Act relating to rules increasing costs to regulated persons. The bill establishes, and provides certain exceptions to, the applicability of its provisions. The bill establishes the purpose of its provisions. The bill applies only to an increase in a cost of insurance charge or a decrease in a credited interest rate applied to an applicable life insurance policy on or after January 1, 2020.

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 207 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute changes the applicability of its provisions. The substitute defines "adverse change," "current scale of charges," and "non-guaranteed charges" for the purposes of its provisions and does not include a definition of "cost of insurance charge."

The substitute changes the insurers required to provide a certain written notice to a policy holder from an insurer that increases the cost of insurance charge applied to a policy to an insurer that increases a non-guaranteed charge applied to a policy. The substitute changes the required disclosures in the notice and contains a provision requiring the notice to include a prominent display of any adverse change in the current scale of charges.

The substitute changes the conditions under which and deadlines by which the written notice an insurer is required to provide to a policy owner if the insurer decreases the credited interest rate paid on a policy's accumulation value. The substitute changes the required disclosures in the notice and contains a provision requiring the notice to include a prominent display of certain information relating to the lapse of a policy.

The substitute changes the conditions under which an insurer must provide to the policy owner an annual illustration of charges.

The substitute includes a provision exempting rules adopted under its provisions from certain Administrative Procedure Act requirements.