

## **BILL ANALYSIS**

Senate Research Center

H.B. 1919  
By: Kent et al. (Ellis)  
State Affairs  
5/8/2009  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

A number of carriers file contracts for fixed maturity date annuities that set the maturity date as high as 115 years of age, allowing for surrender charges far higher than charges authorized under the 70/10 standard. When an annuity company artificially sets the maturity date of an annuity at an age as high as 115 years, the company may charge higher surrender fees and pay higher upfront commissions to its agents. It is far more likely that the consumer will pass away prior to the end of the surrender charge period, leaving their beneficiaries to pay a surrender charge to liquidate the asset after death. Expanding the 70/10 standard to apply it to annuities with fixed maturity dates would end these practices.

H.B. 1919 requires annuities with fixed maturity dates to adhere to a 70/10 standard, which is currently the standard for optional maturity date annuities. This means that the latest maturity date of the annuity will be set as the later of next anniversary of the annuity contract that follows the annuitant's 70th birthday or the 10th anniversary of the purchase date.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 1107.006, Insurance Code, as follows:

Sec. 1107.006. MATURITY DATE. Provides that in determining the value of benefits under Sections 1107.102 (Computation of Paid-Up Annuity Benefit Under Certain Contracts), 1107.103 (Computation of Cash Surrender Benefit), and 1107.104 (Computation of Death Benefit), the maturity date is the latest date on which an election is permitted by the contract, but not later than the later of the next anniversary of the annuity contract that follows the annuitant's 70th birthday, or the 10th anniversary of the contract. Deletes existing text providing that in determining the value benefits under Sections 1107.102, 1107.103, and 1107.104, and subject to Subsection (b), if an annuity contract permits an election to have annuity payments begin on optional maturity date, the maturity date is considered to be the latest date on which an election is permitted by the contract. Deletes existing text prohibiting a maturity date determined under this section from being not later than the later of the next anniversary of the annuity contract that follows the annuitant's 70th birthday, or the 10th anniversary of the contract. Makes nonsubstantive changes.

SECTION 2. Makes application of this Act prospective to January 1, 2010.

SECTION 3. Effective date: September 1, 2009.