

## **BILL ANALYSIS**

Senate Research Center  
86R31529 MEW-F

C.S.H.B. 207  
By: Craddick (Hancock)  
Business & Commerce  
5/13/2019  
Committee Report (Substituted)

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

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. H.B. 207 seeks to address these concerns by establishing certain disclosure and notice requirements for life insurance policies with non-guaranteed charges. (Original Author's/Sponsor's Statement of Intent)

C.S.H.B. 207 amends current law relating to certain disclosures and notices required for certain life insurance policies.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 1101.207, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 1101, Insurance Code, by adding Subchapter E, as follows:

#### **SUBCHAPTER E. DISCLOSURES AND NOTICES RELATING TO LIFE INSURANCE POLICIES WITH NON-GUARANTEED CHARGES**

Sec. 1101.201. PURPOSE. Provides that this subchapter is intended to provide standards for disclosures relating to changes in certain non-guaranteed charges of life insurance policies subject to this subchapter.

Sec. 1101.202. DEFINITIONS. Defines "adverse change," "current scale of charges," and "non-guaranteed charges" for purposes of this subchapter.

Sec. 1101.203. APPLICABILITY. (a) Provides that this subchapter applies to a life insurance policy issued by an insurer, as defined by Section 1102.001 (Definitions), that contains non-guaranteed charges that may change at the discretion of the insurer.

(b) Provides that this subchapter does not apply to:

- (1) group life insurance without separately identifiable accounts for insureds;
- (2) a life insurance policy in which the insurer assumes all risk and contractually guarantees a death benefit in exchange for a guaranteed premium set at the time of the policy's issuance;
- (3) an individual or group annuity contract;
- (4) credit life insurance;
- (5) a life insurance policy with no illustrated death benefits on any individual exceeding \$10,000;

(6) a bank-owned or corporate-owned life insurance policy; or

(7) a life insurance policy that does not provide for cash values or nonforfeiture values.

Sec. 1101.204. DISCLOSURE OF NON-GUARANTEED CHARGE INCREASE AFTER ISSUANCE OF POLICY. (a) Requires the insurer, if an insurer increases a non-guaranteed charge applied to a policy, to provide annually a written notice to the policy owner:

(1) disclosing:

(A) each non-guaranteed charge that has changed;

(B) the new scale of non-guaranteed charges after the change;

(C) the current scale of charges; and

(D) the guaranteed maximum scale of charges; and

(2) including a prominent display of any adverse change in the current scale of charges identifying:

(A) the nature of the change;

(B) that the change is adverse or the conditions under which the change would be adverse; and

(C) the new age and year at which the policy will lapse if there are no changes to payments or coverage.

(b) Requires the notice under Subsection (a) to include the insurer's telephone number and a certain statement placed prominently on the front of the notice. Sets forth required language of the statement.

(c) Requires the notice required by Subsection (a) to be given not later than the 90th day before the date the change is applied.

Sec. 1101.205. DISCLOSURE OF CREDITED INTEREST RATE DECREASE AFTER ISSUANCE OF POLICY. (a) Requires the insurer, if an insurer decreases the credited interest rate paid on a policy's accumulation value, to provide annually a written notice to the policy owner:

(1) disclosing:

(A) the new current credited interest rate;

(B) the previous credited interest rate;

(C) the minimum credited interest rate stated in the policy; and

(D) the effective date of the change; and

(2) including a prominent display of 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; and

(b) Requires the notice under Subsection (a) to include the insurer's telephone number and a certain statement placed prominently on the front of the notice. Sets forth the language of the required statement.

(c) Provides that, notwithstanding any other provision of this section, this section does not apply to or require disclosures for a variable universal or indexed life insurance policy.

Sec. 1101.206. ANNUAL ILLUSTRATION. Requires an insurer that issues a policy subject to this subchapter, regardless of whether any non-guaranteed charges are changed, to offer to provide to the policy owner at least annually an in-force illustration. Requires the insurer, if the insurer has changed any non-guaranteed charges or the credited interest rate, to offer the illustration at no charge.

Sec. 1101.207. RULES. (a) Authorizes the commissioner of insurance (commissioner) to adopt rules as necessary to implement this subchapter.

(b) Authorizes the commissioner by rule to exempt certain types of life insurance policies from one or more of the requirements of this subchapter.

(c) Provides that Section 2001.0045 (Requirement For Rule Increasing Costs to Regulated Persons), Government Code, does not apply to rules adopted under this section.

SECTION 2. Makes application of Subchapter E, Chapter 1101, Insurance Code, as added by this Act, prospective to January 1, 2020, in regards to an increase in a non-guaranteed charge applied to an insurance policy on or after January 1, 2020 and prospective to January 1, 2021, in regards to a decrease in a credited interest rate applied to an insurance policy on or after January 1, 2021.

SECTION 3. Effective date: September 1, 2019.