

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 3370
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Interested parties contend that premiums, costs, charges, administrative expenses, and fees associated with a life insurance policy should not increase without disclosure of such potential increases at the time the policy is issued. H.B. 3370 limits premium increases for life insurance policies. (Original Author's / Sponsor's Statement of Intent)

C.S.H.B. 3370 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 (Sections 1101.203, 1101.204, and 1101.205, 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 ELEMENTS

Sec. 1101.201. PURPOSE. Provides that this subchapter is intended to provide standards for disclosures relating to life insurance policies (policies) subject to this subchapter and to recognize that a purpose of those life insurance policies is to provide insurance coverage at a lower initial premium than might otherwise be obtainable from the insurer if the insurer were not allowed to change the premium during the life of the policy.

Sec. 1101.202. APPLICABILITY. (a) Provides that this subchapter applies to a policy issued by an insurer, as defined by Section 1102.001 (Definitions), that contains non-guaranteed elements 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; or

(2) a 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.

Sec. 1101.203. DISCLOSURES AFTER ISSUANCE OF POLICY. (a) Requires the insurer, subject to Section 1101.204 and unless the change is made pursuant to a previously implemented current cost of insurance schedule, if an insurer increases a non-guaranteed element in or decreases the credited interest rate for a policy after the policy's issuance, to provide a written notice to the policy owner disclosing certain information.

(b) Requires that the notice under Subsection (a) include the insurer's phone number and e-mail address and a certain statement in at least 12-point bold type. Sets forth the required language in the statement.

(c) Requires that notice required by Subsection (a), except as provided by this subsection, be given not later than the 90th day before the date the change is applied. Authorizes the required notice, for a decrease in the credited interest rate for a policy, to be given at the time that the decrease is applied.

(d) Requires the insurer, if a policy owner affirmatively requests a loan, partial surrender, or other action on the policy that might impact the longevity of the policy, to provide to the policy owner in writing, not later than a certain date, the insurer's phone number and e-mail address and a certain statement in at least 12-point bold type. Sets forth the required language in the statement.

(e) Requires an insurer that issues a policy subject to this subchapter, regardless of whether any non-guaranteed elements are changed, to provide to the policy owner at least annually an illustration containing elements specified by the commissioner of insurance (commissioner), by rule.

Sec. 1101.204. NOTICE TO DEPARTMENT OF CERTAIN CHANGES TO NON-GUARANTEED ELEMENTS. (a) Requires the insurer, not later than the 180th day before the effective date of an increase in a non-guaranteed element in an individual's policy or certificate subject to this subchapter, other than an increase pursuant to a previously implemented current cost of insurance schedule, to provide notice to the Texas Department of Insurance (TDI) under certain conditions.

(b) Authorizes the commissioner, by rule, to adopt a lower percentage increase in a cost of insurance rate for which an insurer is required to provide notice to TDI under Subsection (a), but prohibits the percentage adopted from being lower than 20 percent.

(c) Requires that the notice under Subsection (a) include certain information and documents.

(d) Authorizes the commissioner, not later than the 60th day after receipt of a notice under this section, to:

(1) disapprove the proposed increase if the commissioner determines that the increase is not actuarially justified or not in compliance with this code and provide the insurer with a description in adequate detail of the changes necessary to avoid disapproval; or

(2) withdraw approval under Section 1701.055 (Disapproval of Form or Withdrawal of Approval or Exemption) of the applicable individual policy form.

(e) Authorizes the insurer, if the commissioner does not take action under Subsection (d), to provide the disclosure required by Section 1101.203 and apply the proposed increase in the non-guaranteed element in the policy.

Sec. 1101.205. RULES. (a) Authorizes the commissioner to adopt rules as necessary to implement this subchapter.

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

SECTION 2. Provides that Subchapter E, Chapter 1101, Insurance Code, as added by this Act, applies only to an increase in a non-guaranteed element or a decrease in a credited interest rate that is applied to a policy on or after January 1, 2018.

SECTION 3. Effective date: September 1, 2017.