

INSURANCE CODE

TITLE 7. LIFE INSURANCE AND ANNUITIES

SUBTITLE A. LIFE INSURANCE IN GENERAL

CHAPTER 1101. LIFE INSURANCE

SUBCHAPTER A. REQUIRED POLICY PROVISIONS

Sec. 1101.001. APPLICABILITY OF SUBCHAPTER. This subchapter applies to a life insurance policy:

- (1) issued or delivered in this state; or
- (2) issued by a life insurance company organized under the laws of this state.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.002. POLICY PROVISIONS REQUIRED. (a) Except as provided by this section, a life insurance policy must contain provisions that are substantially the same as the provisions required by this subchapter.

(b) A single premium life insurance policy is not required to contain a provision under this subchapter to the extent that the provision is not applicable to a single premium insurance policy.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.003. ENTIRE CONTRACT. A life insurance policy must provide that the policy or the policy and the application for the policy constitute the entire contract between the parties.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Amended by Acts 2003, 78th Leg., ch. 1276, Sec. 10A.204(a), (b), eff. Sept. 1, 2003.

Sec. 1101.004. PREMIUMS PAYABLE IN ADVANCE. A life insurance policy must provide that all premiums are payable in advance at the home office of the company that issues the policy or to an agent of the company on delivery of a receipt signed by at least one of the company officers designated in the policy.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.005. GRACE PERIOD. (a) Except as provided by Subsection (b), a life insurance policy:

(1) must contain a provision for a grace period of at least one month for the payment of each premium after the first payment during which the policy remains in force; and

(2) may:

(A) provide for an interest charge on a premium paid during a grace period; or

(B) provide that if an insured dies during a grace period the overdue premium will be deducted from any settlement made under the policy.

(b) The commissioner by rule may require a life insurance policy issued under Section 884.402(3) to contain a grace period that is longer than the grace period required by this section.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.006. INCONTESTABILITY. (a) Except as provided by Subsection (b), a life insurance policy must provide that a policy in force for two years from its date of issue during the lifetime of the insured is incontestable, except for nonpayment of premiums.

(b) At the option of the company, a life insurance policy may provide that the policy may be contested at any time for violation of policy conditions relating to naval and military service in a time of war.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.007. STATEMENTS OF INSURED. A life insurance policy must provide that, in the absence of fraud, a statement made by an insured is considered a representation and not a warranty.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.008. ADJUSTMENT OF AMOUNT PAYABLE IF AGE OF INSURED IS UNDERSTATED. A life insurance policy must provide that if the age of an insured has been understated, the amount payable under the policy is the amount that the premium paid would have purchased if the insured's age had been stated correctly.

Sec. 1101.009. POLICY LOANS. (a) The following policies are not required to comply with this section:

- (1) a term life insurance policy;
- (2) a pure endowment contract issued or granted:
  - (A) as an original contract; or
  - (B) in exchange for a lapsed or surrendered policy; or
- (3) a policy that does not provide for cash values or nonforfeiture values and that meets the requirements of Section [884.403\(b\)](#).

(b) A life insurance policy must provide that the company that issues the policy will loan to the policy owner at a specified interest rate an amount equal to the sum of the policy's cash value and any dividend additions to the policy, or, at the policy owner's option, an amount less than that sum, if:

- (1) the policy is in force;
- (2) the premiums for the policy have been paid for at least three full years; and
- (3) the policy is properly assigned.

(c) A life insurance policy must also provide that:

- (1) a policy loan is secured only by the policy;
- (2) the company may deduct from a policy loan the sum of the amount of existing debt on the policy and the balance of unpaid premiums for the current policy year;
- (3) the company may collect in advance interest on the policy loan to the end of the current policy year; and
- (4) failure to repay the policy loan or interest on the loan does not void the policy until the total amount owed under the loan equals or exceeds the policy's cash value.

(d) A life insurance policy may provide that a policy loan may be deferred for a period not to exceed six months after the date the application for the loan is made.

(e) A life insurance policy may not require a prerequisite to a policy loan if the prerequisite is not required or authorized by this section.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.010. NONFORFEITURE BENEFITS AND CASH SURRENDER VALUES IN GENERAL. A life insurance policy must provide nonforfeiture benefits, including cash surrender values, in accordance with:

(1) Subchapter D; or

(2) Chapter 1105, for a policy issued on or after the date determined under Section 1105.002(a) or (b), as applicable.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.011. TIME FOR SETTLEMENT OF CLAIM. (a) Except as provided by Subsection (b), a life insurance policy must provide that settlement under the policy after the death of the insured will be made not later than two months after the date of receipt of proof of:

(1) the death; and

(2) the right of the claimant to the proceeds of the policy.

(b) A private placement contract issued under Section 1152.110 may provide that:

(1) settlement of that portion of the contract attributable to separate account assets is subject to the liquidity of those assets; and

(2) the portion of the contract described by Subdivision (1) must be settled by the insurer when the separate account assets are converted to cash under any applicable terms, which may be a period longer than the two-month period described by Subsection (a).

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 737 (H.B. 2765), Sec. 2, eff. September 1, 2007.

Sec. 1101.012. TABLE OF INSTALLMENTS OF PROCEEDS. A life insurance policy that provides that the policy proceeds are payable in installments must include a table that shows the amount of the

installments.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.013. STATEMENT OF MAXIMUM AMOUNT PAYABLE UNDER FAMILY GROUP LIFE INSURANCE POLICY. A family group life insurance policy must clearly state:

(1) the maximum amount that is payable to the payee in the policy on the death of an insured or insureds; and

(2) any terms under which an amount other than the maximum amount of the policy is payable.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

#### SUBCHAPTER B. PROHIBITED POLICY PROVISIONS

Sec. 1101.051. APPLICABILITY OF SUBCHAPTER. Unless otherwise provided by this subchapter, this subchapter applies to a life insurance policy:

(1) issued or delivered in this state; or

(2) issued by a life insurance company organized in this state.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.052. EXCLUSION. Unless otherwise provided by this subchapter, this subchapter does not apply to a policy issued instead of or in exchange for a policy issued before July 10, 1909.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.053. CERTAIN LIMITATIONS PERIODS. A life insurance policy may not include a provision that limits the time during which an action under the policy may be commenced to a period of less than two years after the date the cause of action accrues.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.054. RETROACTIVE ISSUANCE OR EFFECT; EXCHANGE OR CONVERSION. (a) Except as provided by Subsection (b), a life insurance policy may not contain a provision under which the policy is issued or takes effect on a date more than six months before the

date of the original policy application if the provision causes the insured to rate at an age that is younger than the age of the insured on the date of the application. For the purposes of this subsection, the age of the insured on the date of the application is the age of the insured on the birthday of the insured that is nearest to the date of the application.

(b) An issuer of a life or endowment insurance policy or annuity contract may, with the consent of the policyholder or contract holder, exchange the policy or contract for, or convert the policy or contract into, a policy of another plan of insurance or an endowment or annuity contract as of a date not earlier than the effective date of the original policy or contract.

(c) If an exchange or conversion is made under Subsection (b) and the newly written policy or contract is issued as of a date earlier than the date of the application for exchange or conversion, the amount of life or endowment insurance or annuity provided under the newly written policy or contract may not exceed the greater of:

(1) the amount that the premium paid for the original policy or contract would have purchased on the plan of the newly written policy or contract for an individual the age of the insured on the effective date of the original policy or contract; or

(2) the amount of the original policy or contract.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.055. SETTLEMENT ON MATURITY LESS THAN FACE VALUE.

(a) Except as provided by Subsection (b), a life insurance policy may not contain a provision for a settlement at maturity that is less than the amount insured on the face of the policy plus the amount of any dividend additions to the policy minus the sum of the amount of any debt to the company that issues the policy and the amount of any premium that may be deducted from the settlement under the terms of the policy.

(b) A life insurance policy may provide for a settlement that will be less than the amount required under Subsection (a) if the death of the insured is:

(1) by the insured's own hand regardless of whether the

insured is sane or insane;

(2) caused by following a hazardous occupation that is stated in the policy; or

(3) the result of aviation activities under conditions specified in the policy and approved by the department under Chapter 1701.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2F.001, eff. April 1, 2009.

Sec. 1101.056. PRELIMINARY TERM INSURANCE OF MORE THAN ONE YEAR IN LEVEL PREMIUM POLICY. (a) Sections 1101.051 and 1101.052 do not apply to this section.

(b) This section does not apply to a life insurance policy issued on or after the date determined under Section 1105.002(a) or (b), as applicable.

(c) A level premium life insurance policy may not be issued or sold in this state by any company if the policy provides for more than one year of preliminary term insurance.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

#### SUBCHAPTER C. POLICY PROVISIONS REQUIRED BY OTHER JURISDICTIONS

Sec. 1101.101. REQUIRED POLICY PROVISIONS. (a) A policy issued in this state by a life insurance company not organized under the laws of this state may contain any provision that the law of the state, territory, district, or county under which the company is organized requires the policy to contain.

(b) Notwithstanding Chapter 1701, a policy issued or delivered in another state, territory, district, or county by a life insurance company organized under the laws of this state may contain any provision required by the laws of that state, territory, district, or county.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2F.002,

eff. April 1, 2009.

SUBCHAPTER D. RIGHTS OF INSURED UNDER CERTAIN OLDER POLICIES

Sec. 1101.151. APPLICABILITY OF SUBCHAPTER. This subchapter applies only to a life insurance policy issued before a date described by Section 1101.010(a)(2). A term life insurance policy is not required to comply with this subchapter.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.152. STIPULATED FORM OF INSURANCE. In case of a default in the payment of a premium after premiums have been paid for three years, a life insurance policy to which this subchapter applies must contain a provision that secures a stipulated form of insurance on the life of the insured.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.153. COMPUTATION OF NET VALUE OF STIPULATED FORM OF INSURANCE. (a) Except as provided by Subsection (c), the net value of a life insurance policy secured under Section 1101.152 must be equal to the amount of the reserve on the policy for which premium payment is in default and on any dividend additions to that policy on the date of default, less the sum of:

(1) not more than two and one-half percent of the amount insured under the policy and any existing dividend additions to the policy; and

(2) the amount of any existing indebtedness to the company on the policy.

(b) The reserve described by Subsection (a) excludes any reserve for disability or accidental death benefits.

(c) The net value of a life insurance policy that is secured under Section 1101.152 for a policy other than an industrial life insurance policy and that is issued to insure a female risk may be computed using an age not more than three years younger than the actual age of the insured if the policy uses the same age differential to compute the policy reserve.

(d) Except as provided by Subsection (e), the amount of the



policy reserve under Subsection (a) must be computed according to the mortality table, interest rate, and method adopted in the policy for computing the reserve.

(e) In computing the value of paid-up term insurance with any accompanying pure endowment, a rate of mortality may be assumed that is not more than:

(1) 130 percent of the rate of mortality according to the applicable table, or, for a substandard policy, the adopted multiple of that mortality rate, if the American Men Ultimate Table of Mortality or the Commissioners 1941 Standard Ordinary Mortality Table is adopted for computing the reserve; or

(2) the rate of mortality shown by the Commissioners 1958 Extended Term Insurance Table, or, for a substandard policy, the adopted multiple of that mortality rate, if the Commissioners 1958 Standard Ordinary Mortality Table is adopted for computing the reserve.

(f) Subject to Subsection (g), a life insurance policy must state:

(1) the amount and term of the insurance to be secured in accordance with Section 1101.152 computed as if there were no indebtedness on the policy and no dividend additions to the policy; and

(2) the mortality table, interest rate, method, and, if the policy is issued to insure the life of a woman, any age differential, that will be used to compute the policy reserve.

(g) A mortality table, interest rate, method, or age differential stated under Subsection (f) must be authorized by law to compute the reserve liability on the policy.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.154. SURRENDER OF POLICY FOR SPECIFIED CASH SURRENDER VALUE. (a) A life insurance policy to which this subchapter applies must:

(1) provide within one month after a due date for a premium, after premiums have been paid for three years, the policy may be surrendered to the company that issues the policy at the company's home office in return for an amount equal to the cash

value of the policy; and

(2) specify the cash value of the policy, which, subject to Subsection (b), may not be less than the amount that would otherwise be available to secure insurance in accordance with Section 1101.152.

(b) The cash value of the policy may not exceed the amount of the policy reserve.

(c) The policy may provide that the company that issues the policy may defer payment of the cash value of the policy for a period not to exceed six months after the date of application for the payment.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.155. CASH VALUE TABLE. A life insurance policy to which this subchapter applies must include a table that shows in dollar amounts the cash value of the policy and the options available to the policy owner if the owner defaults in premium payments during each of the first 20 years that the policy will be in force or each of the years during which premiums are payable, beginning with the first year in which the cash values and options are available.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

Sec. 1101.156. PURCHASE OF OTHER INSURANCE AND REINSTATEMENT. A life insurance policy to which this subchapter applies must provide that if there is a default in premium payments, the value of the policy shall be applied to the purchase of other insurance and the original life insurance policy may be reinstated within three years after the date of default if:

(1) other insurance purchased with the value of the original life insurance policy remains in force;

(2) the original life insurance policy has not been surrendered to the company and canceled;

(3) the company receives evidence of insurability that is satisfactory to the company; and

(4) the arrears of premiums are paid with interest.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 2, eff. June 1, 2003.

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

Sec. 1101.201. PURPOSE. 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.

Added by Acts 2019, 86th Leg., R.S., Ch. 1026 (H.B. 207), Sec. 1, eff. September 1, 2019.

Sec. 1101.202. DEFINITIONS. In this subchapter:

(1) "Adverse change" means a change by an insurer in the insurer's current scale of charges applied to a policy that increases a premium or charge to a policy owner.

(2) "Current scale of charges" means the scale or schedule of non-guaranteed charges in effect for a policy during the period of time immediately before an adverse change to the policy.

(3) "Non-guaranteed charges" means the scale or schedule of charges in a policy provision at the time the policy was issued that may be changed at the insurer's discretion without the consent or request of the policy owner. The term does not include a policy loan interest rate charged on a policy loan.

Added by Acts 2019, 86th Leg., R.S., Ch. 1026 (H.B. 207), Sec. 1, eff. September 1, 2019.

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

(b) 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.

Added by Acts 2019, 86th Leg., R.S., Ch. 1026 (H.B. 207), Sec. 1, eff. September 1, 2019.

Sec. 1101.204. DISCLOSURE OF NON-GUARANTEED CHARGE INCREASE AFTER ISSUANCE OF POLICY. (a) If an insurer increases a non-guaranteed charge applied to a policy, the insurer must provide 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) The notice under Subsection (a) must include the insurer's telephone number and the following statement placed prominently on the front of the notice:

"YOU SHOULD KNOW: This increase may change the value of your policy and may change how long your policy will last unless you increase your premium payments or reduce your coverage, if permitted under your policy. Ask your insurance company for an illustration, at no cost, that shows the effect of this change on

your policy and discuss with your agent or financial advisor other options that are available to you."

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

(d) The notice required by Subsection (a) does not constitute an illustration, as defined by rules adopted by the department relating to life insurance illustrations.

Added by Acts 2019, 86th Leg., R.S., Ch. 1026 (H.B. 207), Sec. 1, eff. September 1, 2019.

Sec. 1101.205. DISCLOSURE OF CREDITED INTEREST RATE DECREASE AFTER ISSUANCE OF POLICY. (a) If an insurer decreases the credited interest rate paid on a policy's accumulation value, the insurer must 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.

(b) The notice under Subsection (a) must include the insurer's telephone number and the following statement placed prominently on the front of the notice:

"YOU SHOULD KNOW: This decrease may change the value of your policy and may change how long your policy will last unless you increase your premium payments or reduce your coverage. Ask your insurance company for an in-force illustration that shows the effect of this change on your policy and discuss with your agent or financial advisor other options that are available to you."

(c) 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.

Added by Acts 2019, 86th Leg., R.S., Ch. 1026 (H.B. 207), Sec. 1, eff. September 1, 2019.

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

Added by Acts 2019, 86th Leg., R.S., Ch. 1026 (H.B. 207), Sec. 1, eff. September 1, 2019.

Sec. 1101.207. RULES. (a) The commissioner may adopt rules as necessary to implement this subchapter.

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

(c) Section 2001.0045, Government Code, does not apply to rules adopted under this section.

Added by Acts 2019, 86th Leg., R.S., Ch. 1026 (H.B. 207), Sec. 1, eff. September 1, 2019.

#### SUBCHAPTER F. PROHIBITED PRACTICES RELATING TO PRESCRIPTION FOR OR OBTAINMENT OF OPIOID ANTAGONIST

Sec. 1101.251. DEFINITION. In this subchapter, "opioid antagonist" means any drug that binds to opioid receptors and blocks or otherwise inhibits the effects of opioids acting on those receptors to reverse the effects of an opioid overdose.

Added by Acts 2019, 86th Leg., R.S., Ch. 515 (S.B. 437), Sec. 1, eff. September 1, 2019.

Redesignated by Acts 2021, 87th Leg., R.S., Ch. 915 (H.B. 3607), Sec. 21.001(59), eff. September 1, 2021.

Sec. 1101.252. APPLICABILITY OF SUBCHAPTER. This subchapter applies to a life insurance policy:

(1) issued or delivered in this state; or

(2) issued by a life insurance company organized in this state.

Added by Acts 2019, 86th Leg., R.S., Ch. 515 (S.B. 437), Sec. 1, eff. September 1, 2019.

Redesignated by Acts 2021, 87th Leg., R.S., Ch. 915 (H.B. 3607), Sec. 21.001(59), eff. September 1, 2021.

Sec. 1101.253. PROHIBITION. A life insurance company may not, based solely on whether an individual has been prescribed or has obtained through a standing order an opioid antagonist:

(1) deny coverage to the individual;

(2) limit the amount, extent, or kind of coverage available to the individual; or

(3) charge the individual or a group to which the individual belongs a rate that is different from the rate charged to other individuals or groups, respectively, for the same coverage, unless the charge is based on sound underwriting or actuarial principles reasonably related to actual or anticipated loss experience for a particular risk.

Added by Acts 2019, 86th Leg., R.S., Ch. 515 (S.B. 437), Sec. 1, eff. September 1, 2019.

Redesignated by Acts 2021, 87th Leg., R.S., Ch. 915 (H.B. 3607), Sec. 21.001(59), eff. September 1, 2021.