

INSURANCE CODE

TITLE 7. LIFE INSURANCE AND ANNUITIES

SUBTITLE A. LIFE INSURANCE IN GENERAL

CHAPTER 1115. SUITABILITY OF CERTAIN ANNUITY TRANSACTIONS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 1115.001. PURPOSE. The purpose of this chapter is to require an agent to act in the best interest of the consumer when making a recommendation of an annuity and to require insurers to establish and maintain a system to supervise those recommendations so that the insurance needs and financial objectives of the consumer as of the time of the transaction are effectively addressed.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. [2761](#)), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. [2277](#)), Sec. 6, eff. September 1, 2011.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. [1777](#)), Sec. 2, eff. September 1, 2021.

Sec. 1115.002. DEFINITIONS. In this chapter:

(1) "Agent" means an individual who holds a license under Chapter [4054](#) and who sells, solicits, or negotiates insurance or annuity contracts in this state.

(2) "Annuity" means an annuity that is an insurance product under the laws of this state that is individually solicited, whether the product is classified as an individual annuity or group annuity.

(2-a) "Cash compensation" means a discount, concession, fee, service fee, commission, sales charge, loan, override, or cash benefit received by an agent from an insurer, intermediary, or consumer in connection with the recommendation or sale of an annuity.

(2-b) "Consumer profile information" means information that is reasonably appropriate to determine whether a

recommendation addresses the consumer's financial situation, insurance needs, and financial objectives, including the following:

- (A) age;
- (B) annual income;
- (C) existing assets and financial products, including investment, annuity, and insurance holdings;
- (D) financial situation and needs, including debts and other obligations;
- (E) financial experience;
- (F) financial objectives;
- (G) financial resources used to fund the annuity;
- (H) financial time horizon;
- (I) insurance needs;
- (J) intended use of the annuity;
- (K) liquid net worth;
- (L) liquidity needs;
- (M) risk tolerance, including willingness to accept non-guaranteed elements in the annuity; and
- (N) tax status.

(2-c) "Continuing education provider" means a person authorized to offer continuing education courses under Chapter [4004](#).

(3) "Insurer" means a company authorized to engage in the business of life insurance and annuities in this state, and includes a fraternal benefit society operating under Chapter [885](#).

(3-a) "Intermediary" means an entity contracted directly with an insurer or with another entity contracted with an insurer to facilitate the sale of the insurer's annuities by agents.

(3-b) "Material conflict of interest" means a financial interest of an agent in the sale of an annuity that a reasonable person would expect to influence the impartiality of a recommendation. The term does not include cash or noncash compensation paid to an agent.

(3-c) "Noncash compensation" means any form of compensation that is not cash compensation, including health

insurance, office rent, office support, and retirement benefits.

(3-d) "Non-guaranteed element" means a premium, credited interest rate, including any bonus, benefit, value, dividend, non-interest based credit, or charge, or an element of a formula used to determine any of those elements, that is determined at the discretion of the insurer and is not guaranteed at issue. The term includes an element that is calculated using an element that is determined at the discretion of the insurer and is not guaranteed at issue.

(4) "Recommendation" means advice provided by an agent, or an insurer if no agent is involved, to an individual consumer that is intended to result or does result in a purchase, exchange, or replacement of an annuity made in accordance with that advice. The term does not include a general communication to the public, any generalized customer service assistance or administrative support, any general educational information or tools, a prospectus, or any other product or sales material.

(5) "Replacement" means a transaction in which a new annuity is to be purchased and the proposing agent, or the proposing insurer regardless of whether an agent is involved, knows or should know that, by reason of the transaction, an existing annuity or other insurance policy has been or is to be:

(A) lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer, or otherwise terminated;

(B) converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;

(C) amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;

(D) reissued with any reduction in cash value; or

(E) used in a financed purchase.

(6) Repealed by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. [1777](#)), Sec. 18(1), eff. September 1, 2021.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. [2761](#)), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. [2277](#)), Sec. 7, eff. September 1, 2011.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. [1777](#)), Sec. 3, eff. September 1, 2021.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. [1777](#)), Sec. 18(1), eff. September 1, 2021.

Sec. 1115.003. APPLICABILITY; EXEMPTIONS. (a) This chapter applies to any sale of an annuity.

(b) Unless otherwise specifically included, this chapter does not apply to transactions involving:

(1) direct response solicitations if there is no recommendation based on information collected from the consumer under this chapter;

(2) contracts used to fund:

(A) an employee pension benefit plan or employee welfare benefit plan covered by the Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.);

(B) a plan described by Section 401(a), 401(k), 403(b), 408(k), or 408(p), Internal Revenue Code of 1986, if established or maintained by an employer;

(C) a government or church plan, as defined by Section 414, Internal Revenue Code of 1986, a government or church welfare benefit plan, or a deferred compensation plan of a state or local government or tax exempt organization described under Section 457, Internal Revenue Code of 1986; or

(D) a nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor;

(3) settlements of or assumptions of liabilities associated with personal injury litigation or any dispute or claim resolution process; or

(4) prepaid funeral benefits contracts, as defined by Chapter [154](#), Finance Code.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. [2761](#)), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. 2277), Sec. 8, eff. September 1, 2011.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 4, eff. September 1, 2021.

Sec. 1115.004. NO CAUSE OF ACTION CREATED. This chapter may not be construed to create or imply a private cause of action against an agent or insurer or to subject an agent or insurer to civil liability for a violation of:

(1) this chapter or a rule adopted under this chapter;
or

(2) a standard governing the conduct of a fiduciary or a fiduciary relationship.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. 2761), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 5, eff. September 1, 2021.

Sec. 1115.005. RULES. The commissioner may adopt reasonable rules in the manner prescribed by Subchapter A, Chapter 36, to accomplish and enforce the purpose of this chapter.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. 2761), Sec. 1, eff. September 1, 2007.

SUBCHAPTER B. DUTIES OF INSURERS AND AGENTS

Sec. 1115.0505. AGENTS EXERCISING MATERIAL CONTROL.

(a) This subchapter applies to each agent who:

(1) exercises material control or influence in making a recommendation or sale; and

(2) receives direct compensation as a result of the recommendation or sale, regardless of whether the agent has direct contact with the consumer.

(b) Activities that do not constitute material control or influence include providing or delivering marketing or educational

materials, product wholesaling or other back office product support, general supervision of an agent, and similar activities. Added by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 6, eff. September 1, 2021.

Sec. 1115.0506. TRANSACTIONS NOT BASED ON RECOMMENDATION; CERTAIN EXEMPTIONS FROM SUBCHAPTER. An agent does not have an obligation to a consumer under Section 1115.0513 if:

- (1) the agent does not make a recommendation;
- (2) the agent makes a recommendation based on materially inaccurate information provided by the consumer;
- (3) the consumer refuses to provide consumer profile information; or
- (4) the consumer enters into an annuity transaction that is not based on the recommendation from the agent or the insurer.

Added by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 6, eff. September 1, 2021.

Sec. 1115.0507. INSURER OBLIGATIONS. (a) Notwithstanding Section 1115.0506, an insurer's issuance of an annuity must be reasonable under the circumstances known to the insurer at the time the annuity is issued.

(b) If there is no agent involved in an annuity transaction, the obligations described in this subchapter apply to the insurer that recommends or sells the annuity in the same way those obligations would apply to an agent.

Added by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 6, eff. September 1, 2021.

Sec. 1115.0508. ADDITIONAL LICENSURE NOT REQUIRED. Nothing in this subchapter may be construed to require an agent to obtain a license other than the license described by Chapter 4054.

Added by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 6, eff. September 1, 2021.

Sec. 1115.051. BEST-INTEREST OBLIGATION.

(a) When making a recommendation of an annuity, an agent shall act in the best interest of the consumer under the circumstances known to the agent at the time the recommendation is made, without placing the agent's or the insurer's financial interest ahead of the consumer's interest.

(b) An agent is presumed to act in the best interest of the consumer if the agent satisfies the care, disclosure, conflict of interest, and documentation obligations described by this subchapter.

(c) Repealed by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 18(2), eff. September 1, 2021.

(d) Repealed by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 18(2), eff. September 1, 2021.

(e) Repealed by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 18(2), eff. September 1, 2021.

(f) Repealed by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 18(2), eff. September 1, 2021.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. 2761), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. 2277), Sec. 9, eff. September 1, 2011.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 7, eff. September 1, 2021.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 8, eff. September 1, 2021.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 18(2), eff. September 1, 2021.

Sec. 1115.0513. CARE OBLIGATION. (a) In making a recommendation, an agent shall exercise reasonable diligence, care, and skill to:

(1) obtain consumer profile information from the consumer before making the recommendation of an annuity;

(2) know the consumer's financial situation, insurance needs, and financial objectives;

(3) understand the available recommendation options available to the agent;

(4) consider the types of products the agent is authorized and licensed to recommend or sell that address the consumer's financial situation, insurance needs, and financial objectives;

(5) have a reasonable basis to believe the recommendation addresses the consumer's financial situation, insurance needs, and financial objectives over the life of the product, in light of the consumer profile information;

(6) have a reasonable basis to believe the consumer would benefit from certain features of the annuity, such as annuitization, a death or living benefit, or other insurance-related feature; and

(7) communicate the basis of the recommendation.

(b) Subsection (a) does not require:

(1) analysis or consideration of a product outside the authority and license of the agent;

(2) analysis or consideration of a product or strategy that is an alternative to an annuity;

(3) recommendation of the annuity with the lowest one-time or multiple occurrence compensation structure; or

(4) ongoing monitoring of the consumer's financial situation.

(c) The agent shall consider consumer profile information, characteristics of the insurer, and product costs, rates, benefits, and features in determining whether an annuity effectively addresses the consumer's financial situation, insurance needs, and financial objectives. The agent may place varying levels of importance on each of those factors based on the facts and circumstances of a particular case, but may not consider one factor in isolation.

(d) In the case of an exchange or replacement of an annuity, the agent shall consider the whole transaction, including whether:

(1) the consumer will incur a surrender charge, be subjected to the commencement of a new surrender period, lose existing benefits such as death, living, or other contractual

benefits, or be subject to increased fees, investment advisory fees, or charges for riders and similar product enhancements;

(2) the replacing product would substantially benefit the consumer in comparison to the replaced product over the life of the product; and

(3) the consumer has had an annuity exchange or replacement in the preceding 60 months.

(e) This section applies to an annuity as a whole, including:

(1) underlying subaccounts to which money is allocated at the time of the purchase or exchange of an annuity; and

(2) any riders and similar product enhancements.

(f) An agent shall be held to standards applicable to an agent with similar authority and licensure with respect to the requirements of this section. This section does not create a fiduciary obligation or relationship and only creates a regulatory obligation. This section does not affect any ongoing monitoring obligation an agent may have under a fiduciary, consulting, investment advising, or financial planning agreement between the consumer and the agent.

Added by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 9, eff. September 1, 2021.

Sec. 1115.0514. DISCLOSURE OBLIGATION. (a) Before the recommendation or sale of an annuity, an agent shall provide a disclosure to the consumer on a form prescribed by the commissioner by rule.

(b) The prescribed form must be substantially similar to the National Association of Insurance Commissioners Insurance Agent Disclosure for Annuities form. The form must include:

(1) a description of the scope and terms of the agent's relationship with the consumer and role in the transaction;

(2) an affirmative statement on whether the agent is licensed and authorized to sell:

(A) fixed annuities;

(B) fixed indexed annuities;

(C) variable annuities;

- (D) life insurance;
- (E) mutual funds;
- (F) stocks and bonds; or
- (G) certificates of deposit;

(3) a statement describing the insurers for whom the agent is authorized, contracted or appointed, or otherwise able to sell insurance products, described as follows:

- (A) one insurer;
- (B) two or more insurers; or
- (C) two or more insurers though primarily contracted with one insurer;

(4) a description of the sources and types of cash compensation and noncash compensation to be received by the agent, including whether the agent is to be compensated for the sale of a recommended annuity by commission as part of premium or other remuneration received from the insurer, intermediary, or other agent or by fee as a result of a contract for advice or consulting services; and

(5) a notice of the consumer's right to request additional information regarding cash compensation under Subsection (c).

(c) On request of the consumer or the consumer's designated representative, an agent shall disclose:

(1) a reasonable estimate of the amount of cash compensation to be received by the agent, which may be stated as a range of amounts or percentages; and

(2) whether the cash compensation is a one-time or multiple occurrence amount, and if a multiple occurrence amount, the frequency and amount of occurrence, which may be stated as a range of amounts or percentages.

(d) Prior to or at the time of the recommendation or sale of an annuity, the agent must have a reasonable basis to believe the consumer has been informed of the features of the annuity, including:

(1) the potential surrender period and surrender charge;

(2) the potential tax penalty if the consumer sells

exchanges, surrenders, or annuitizes the annuity;

(3) mortality and expense fees;

(4) investment advisory fees;

(5) annual fees;

(6) potential charges for and features of riders or other options of the annuity;

(7) limitations on interest returns;

(8) potential changes in non-guaranteed elements of the annuity;

(9) insurance and investment components; and

(10) market risk.

Added by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 9, eff. September 1, 2021.

Sec. 1115.0515. CONFLICT OF INTEREST OBLIGATION. (a) An agent shall take reasonable steps to discover a material conflict of interest, including a material conflict of interest related to an ownership interest.

(b) An agent shall:

(1) identify and avoid a material conflict of interest; or

(2) reasonably manage and disclose the conflict.

Added by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 9, eff. September 1, 2021.

Sec. 1115.0516. DOCUMENTATION OBLIGATION. At the time of the recommendation or sale, an agent shall:

(1) make a written record of the recommendation and the basis for the recommendation;

(2) if applicable, obtain a statement signed by the consumer on a form prescribed by the commissioner by rule that is substantially similar to the National Association of Insurance Commissioners Consumer Refusal to Provide Information form documenting:

(A) a consumer's refusal to provide consumer profile information; and

(B) a consumer's understanding of the

ramifications of failing to provide consumer profile information or providing insufficient consumer profile information; and

(3) if a consumer decides to enter into an annuity transaction that is not based on the agent's recommendation, obtain a statement signed by the consumer on a form prescribed by the commissioner by rule that is substantially similar to the National Association of Insurance Commissioners Consumer Decision to Purchase an Annuity Not Based on a Recommendation, acknowledging that the annuity transaction is not recommended.

Added by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 9, eff. September 1, 2021.

Sec. 1115.052. SUPERVISION SYSTEM. (a) Except as provided in Section 1115.0506, an insurer may not issue an annuity recommended to a consumer unless there is a reasonable basis to believe the annuity would effectively address the consumer's financial situation, insurance needs, and financial objectives based on the consumer's consumer profile information.

(b) Each insurer shall establish and maintain a supervision system that is reasonably designed to achieve the insurer's and the insurer's agent's compliance with this chapter, including:

(1) establishing and maintaining reasonable procedures to inform the insurer's agents of the requirements of this chapter and incorporating the requirements of this chapter into relevant agent training manuals;

(2) establishing and maintaining standards for agent product training and establishing and maintaining reasonable procedures to require the insurer's agents to comply with the requirements of Section 1115.056;

(3) providing product-specific training and training materials that explain all material features of the insurer's annuity products to the insurer's agents;

(4) establishing and maintaining procedures to review each recommendation electronically, physically, or otherwise before the issuance of an annuity that:

(A) are designed to ensure that there is a reasonable basis to determine that the recommended annuity would

effectively address the consumer's financial situation, insurance needs, and financial objectives; and

(B) may:

(i) include the application of a screening system to identify selected transactions for additional review; and

(ii) be designed to require additional review only of those transactions identified for additional review by the selection criteria;

(5) establishing and maintaining reasonable procedures, such as confirmation of consumer profile information, systematic customer surveys, agent and consumer interviews, confirmation letters, agent statements or attestations, and programs of internal monitoring, to detect recommendations that are not in compliance with Sections 1115.0505 through 1115.051 and Sections 1115.0521 and 1115.054, which may include applying sampling procedures or confirming consumer profile information after the issuance or delivery of the annuity;

(6) establishing and maintaining reasonable procedures to assess, before or on issuance or delivery of an annuity, whether an agent has provided to the consumer the information required to be provided under this subchapter;

(7) establishing and maintaining reasonable procedures to identify and address suspicious consumer refusals to provide consumer profile information;

(8) establishing and maintaining reasonable procedures to identify and eliminate sales contests, sales quotas, bonuses, or noncash compensation that are based on the sale of specific annuities within a limited period of time; and

(9) annually providing a written report to the insurer's senior management, including to the senior manager responsible for audit functions, that details a review, with appropriate testing, reasonably designed to determine the effectiveness of the supervision system, the exceptions found, and any corrective action taken or recommended.

(b-1) Subsection (b)(8) does not prohibit the receipt by employees of health insurance, office rent, office support, retirement benefits, or other employee benefits so long as those

benefits are not based on the volume of sales of a specific annuity within a limited period of time.

(c) This subsection and Subsection (c-1) do not prohibit an insurer from contracting for the performance of a function, including maintenance of procedures, required by Subsection (b). An insurer is responsible for taking appropriate corrective action and may be subject to sanctions and penalties under Section [1115.102](#) regardless of whether the insurer contracts for performance of a function and regardless of whether the insurer complies with Subsection (c-1).

(c-1) An insurer's supervision system under Subsection (b) must include the supervision of contractual performance under this subsection that includes, at a minimum:

(1) annually obtaining certification that complies with Section [1115.053](#) from a senior manager who represents that the contracted function is properly performed; and

(2) monitoring and, as appropriate, conducting audits to ensure that the contracted function is properly performed.

(d) An insurer is not required by this section to include in the supervision system:

(1) an agent's recommendations to consumers of products other than the annuities offered by the insurer; or

(2) consideration of or comparison to options available to the agent or compensation relating to those options other than annuities or other products offered by the insurer.

(e) Repealed by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. [1777](#)), Sec. 18(3), eff. September 1, 2021.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. [2761](#)), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. [2277](#)), Sec. 10, eff. September 1, 2011.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. [1777](#)), Sec. 10, eff. September 1, 2021.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. [1777](#)), Sec. 18(3), eff. September 1, 2021.

Sec. 1115.0521. PROHIBITED PRACTICES. An agent or insurer may not dissuade or attempt to dissuade a consumer from:

(1) truthfully responding to an insurer's request for confirmation of consumer profile information;

(2) filing a complaint; or

(3) cooperating with the investigation of a complaint.

Added by Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 11, eff. September 1, 2021.

Sec. 1115.053. CERTIFICATION REQUIREMENTS. A person may not provide a certification under Section 1115.052(c-1)(1) unless the person:

(1) is a senior manager with responsibility for the delegated functions; and

(2) has a reasonable basis for making the certification.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. 2761), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. 2277), Sec. 11, eff. September 1, 2011.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 12, eff. September 1, 2021.

Sec. 1115.054. SAFE HARBOR. (a) Recommendations and sales of annuities made in compliance with comparable standards satisfy the requirements of this chapter. This section applies to recommendations and sales of annuities made by a financial professional in compliance with business rules, controls, and procedures that satisfy a comparable standard even if such standard would not otherwise apply to the product or recommendation at issue.

(b) This section does not affect or limit the commissioner's ability to enforce or investigate under this chapter.

(c) This section does not limit the insurer's obligation to comply with Section 1115.052(a), although the insurer may base its analysis on information received from either the financial

professional or the entity supervising the financial professional.

(d) Subsection (a) applies only if the insurer:

(1) using information collected in the normal course of the insurer's business, monitors the relevant conduct of the financial professional or the entity responsible for supervising the financial professional, such as the financial professional's broker-dealer or an investment adviser registered under federal or state securities laws; and

(2) provides to the entity responsible for supervising the financial professional, such as the financial professional's broker-dealer or investment adviser registered under federal or state securities laws, information and reports that are reasonably appropriate to assist the entity in maintaining the entity's supervision system.

(e) For purposes of this section, "financial professional" means an agent that is regulated and acting as:

(1) a broker-dealer registered under federal or state securities laws or a registered representative of a broker-dealer;

(2) an investment adviser registered under federal or state securities laws or an investment adviser representative associated with the federal or state registered investment adviser; or

(3) a plan fiduciary under Section 3(21), Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1002(21)) or a fiduciary under Section 4975(e)(3), Internal Revenue Code of 1986.

(f) For purposes of this section, "comparable standards" means:

(1) with respect to a broker-dealer or a registered representative of a broker-dealer, applicable rules of the Financial Industry Regulatory Authority (FINRA) or a successor agency and the United States Securities and Exchange Commission pertaining to best interest obligations and supervision of annuity recommendations and sales, including Regulation Best Interest (17 C.F.R. Section 240.151-1), including subsequent amendments or successor regulations;

(2) with respect to an investment adviser registered

under federal or state securities laws or an investment adviser representative, the fiduciary duties and all other requirements imposed on those investment advisers or investment adviser representatives by contract or under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or applicable state securities law or regulations, including Form ADV (17 C.F.R. Section 279.1), and interpretations; and

(3) with respect to a plan fiduciary or a fiduciary, the duties, obligations, prohibitions, and all other requirements attendant to that status under the Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.) or the Internal Revenue Code of 1986.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. [2761](#)), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 1043 (H.B. [4492](#)), Sec. 1, eff. September 1, 2009.

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. [2277](#)), Sec. 12, eff. September 1, 2011.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. [1777](#)), Sec. 13, eff. September 1, 2021.

Sec. 1115.055. RECORDKEEPING REQUIREMENTS. (a) Each agent, general agent, independent agency, and insurer shall maintain, or otherwise be able to make available to the commissioner, records of the information collected from the consumer, disclosures made to the consumer, including summaries of oral disclosures, and other information used in making a recommendation that was the basis for an insurance transaction subject to this chapter until the fifth anniversary of the date on which the transaction is completed by the insurer.

(b) An insurer may, but is not required to, maintain documentation on behalf of an agent.

(c) Records required to be maintained under this section may be maintained in paper, photographic, microprocess, magnetic, mechanical, or electronic media by any process that accurately reproduces the actual document.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. [2761](#)), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. [1777](#)), Sec. 14, eff. September 1, 2021.

Sec. 1115.056. AGENT TRAINING REQUIREMENTS. (a) An agent may not solicit the sale of an annuity product unless the agent has adequate knowledge of the product to recommend the annuity and the agent is in compliance with the insurer's standards for product training. An agent may rely on insurer-provided, product-specific training standards and materials to comply with this subsection.

(b) An agent who engages in the sale of annuity products must complete a one-time four-credit training course approved by the department and provided by a continuing education provider.

(c) The training required by Subsection (b) must be of a length sufficient to qualify for at least four continuing education credits, as determined by the commissioner in accordance with Chapter [4004](#) and any rules adopted under that chapter, but may be longer. The training required by Subsection (b) may be used to satisfy the continuing education requirements under Subchapters B and E, Chapter [4004](#), and is not in addition to the continuing education requirements in Section [4004.202](#).

(d) The training required by Subsection (b) must include information on the following topics:

- (1) the types of annuities and various classifications of annuities;
- (2) identification of the parties to an annuity;
- (3) how product-specific annuity features affect consumers;
- (4) the application of income taxation of qualified and nonqualified annuities;
- (5) the primary uses of annuities; and
- (6) appropriate standard of conduct sales practices, replacement, and disclosure requirements.

(e) A provider of a course intended to comply with Subsection (b) must cover all topics listed in Subsection (d) and

may not present any marketing information, provide training on sales techniques, or provide specific information about a particular insurer's products. Additional topics may be offered in conjunction with and in addition to the required topics.

(f) A provider of an annuity training course intended to comply with Subsection (b) must register as a continuing education provider in this state and comply with the rules and guidelines applicable to agent continuing education courses provided by Chapter 4004.

(g) An annuity training course may be conducted and completed by classroom or self-study methods in accordance with Chapter 4004.

(h) A provider of annuity training under Subsection (b) must comply with the reporting requirements and issue certificates of completion in accordance with Chapter 4004.

(i) The satisfaction of the training requirements of another state that are substantially similar to the provisions of this section is considered to satisfy the training requirements of this section.

(i-1) A course that is substantially similar to a course required by this section satisfies the requirement.

(j) An insurer must verify that an agent has completed the annuity training course required by this section before allowing the agent to sell an annuity product for that insurer. An insurer may satisfy the insurer's responsibility under this section by:

(1) obtaining a certificate of completion of the training course or obtaining an appropriate report provided by the department;

(2) using a department-sponsored database or vendor;
or

(3) using a reasonably reliable commercial database vendor that has a reporting arrangement with approved insurance education providers.

Added by Acts 2009, 81st Leg., R.S., Ch. 362 (H.B. 1294), Sec. 1.001, eff. September 1, 2009.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. 2277), Sec. 13,

eff. September 1, 2011.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 15, eff. September 1, 2021.

SUBCHAPTER C. MITIGATION; ENFORCEMENT

Sec. 1115.101. MITIGATION. An insurer is responsible for compliance with this chapter. If a violation occurs because of the action or inaction of the insurer or the insurer's agent, the commissioner may:

(1) order:

(A) the insurer to take reasonable appropriate corrective action for any consumer harmed by a failure to comply with this chapter by the insurer, the insurer's agent, or an entity contracted to perform the insurer's supervisory duties; or

(B) a general agency, independent agency, or the agent to take reasonably appropriate corrective action for any consumer harmed by the agent's violation of this chapter; and

(2) impose appropriate sanctions as provided by Section 1115.102.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. 2761), Sec. 1, eff. September 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. 2277), Sec. 14, eff. September 1, 2011.

Acts 2021, 87th Leg., R.S., Ch. 262 (H.B. 1777), Sec. 17, eff. September 1, 2021.

Sec. 1115.102. SANCTIONS. (a) The commissioner may impose sanctions as provided by Chapter 82 for a violation of this chapter.

(b) The commissioner shall reduce or eliminate a sanction for a violation of this chapter otherwise applicable if:

(1) corrective action for the consumer was taken promptly by the agent or insurer after a violation was discovered; or

(2) the violation was not part of a pattern or practice.

Added by Acts 2007, 80th Leg., R.S., Ch. 736 (H.B. [2761](#)), Sec. 1,
eff. September 1, 2007.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1156 (H.B. [2277](#)), Sec. 15,
eff. September 1, 2011.