

By: Ellis

S.B. No. 11

A BILL TO BE ENTITLED

AN ACT

relating to beneficiaries of certain life insurance policies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1103.003, Insurance Code, is amended to read as follows:

Sec. 1103.003. CORPORATION, JOINT STOCK ASSOCIATION, OR TRUST ESTATE AS BENEFICIARY. A corporation, a joint stock association, or a trust estate that is engaging in business for profit may be designated as a beneficiary in a policy that insures the life of an officer, director, or stockholder of the corporation, joint stock association, or trust estate.

SECTION 2. Subchapter B, Chapter 1103, Insurance Code, is amended by adding Section 1103.057 to read as follows:

Sec. 1103.057. CERTAIN LIFE INSURANCE POLICIES INSURING EMPLOYEES. (a) Except as provided by Subsection (b), an individual whose life is insured under a life insurance policy may not designate or consent to the designation of an individual, partnership, association, corporation, or other legal entity that is the individual's employer, or a trust established by the individual's employer, as a beneficiary of the policy.

(b) An individual may designate a legal entity that is the individual's employer as a beneficiary of a life insurance policy under which the individual's life is insured if the employer complies with Subsection (c) and:

1 (1) the employer is an individual who is related by
2 blood or marriage to the individual whose life is insured under the
3 policy;

4 (2) the designation would be permitted under Section
5 1103.003 or 1103.004;

6 (3) the insured is a current employee who meets, or a
7 former employee who met at the time of retirement, the criteria set
8 forth in 29 C.F.R. Section 541.1, 541.2, 541.3, or 541.5; or

9 (4) at the time the employer is designated as a policy
10 beneficiary:

11 (A) the insured is an employee or former employee
12 who participates or is eligible to participate, on the satisfaction
13 of age, service, or similar eligibility criteria, in a plan that is
14 an employee benefit plan or an employee pension plan under which
15 plan benefits are payable to the employee or former employee or a
16 beneficiary designated by the insured employee or former employee;
17 and

18 (B) the total amount of insurance coverage
19 designating the employer as beneficiary under this subsection is
20 reasonably related to the costs of employee or retiree benefits
21 already incurred in connection with the employee benefit plans plus
22 the projected future cost of the benefits as established by the
23 employer.

24 (c) An employer designated as a beneficiary of a life
25 insurance policy on the life of an employee under Subsection (b)
26 must:

27 (1) notify the employee in writing that coverage is

1 being obtained on the employee's life, specifying the minimum
2 initial death benefit;

3 (2) advise the employee that:

4 (A) the employee's consent is required for the
5 coverage to be obtained;

6 (B) once consent is given, it is irrevocable; and

7 (C) the employer may maintain the coverage after
8 the employee's employment has terminated; and

9 (3) obtain the employee's written consent to the
10 coverage, including the minimum initial death benefit.

11 (d) An employer may not:

12 (1) make consent under Subsection (c)(3) a condition
13 of employment; or

14 (2) retaliate against an employee for refusing to
15 provide the consent.

16 (e) An insurer may not issue a policy or certificate to an
17 employer insuring the life of an employee of that employer under
18 Subsection (c) unless the insurer receives the employer's
19 certification that the employer has obtained the employee's written
20 consent that complies with Subsection (c)(3).

21 (f) Benefits of a life insurance policy for which consent
22 was not obtained as required by Subsection (c) or for which consent
23 was coerced in violation of Subsection (d) are not payable to the
24 employer and are payable instead to the estate of the deceased
25 insured.

26 (g) A person or the estate of a person who has sustained
27 damages as a result of an action of an employer or former employer

1 in violation of this section may maintain a civil action against the
2 employer or former employer in district court to recover the
3 damages.

4 SECTION 3. Subsection (b), Section 1131.703, Insurance
5 Code, is amended to read as follows:

6 (b) In addition to satisfying the requirements of Article
7 3.42, the insurer shall certify ~~[An employer shall submit evidence~~
8 ~~of the purpose of the policy]~~ to the commissioner that the policy
9 complies with Sections 1103.057(c) and (d). The insurer shall also
10 maintain a sworn affidavit executed by the employer and, in the case
11 of a corporate employer, an officer of the corporation, certifying
12 that the group insurance plan complies with Sections 1103.057(b),
13 (c), and (d).

14 SECTION 4. Section 1103.056, Insurance Code, is repealed.

15 SECTION 5. This Act takes effect November 1, 2003. The
16 changes in law made by this Act in amending Sections 1103.003 and
17 1131.703, Insurance Code, in adding Section 1103.057, Insurance
18 Code, and in repealing Section 1103.056, Insurance Code, apply only
19 to an insurance policy that is delivered or issued for delivery on
20 or after November 1, 2003. A policy that is delivered or issued for
21 delivery before November 1, 2003, is governed by the law as it
22 existed immediately before the effective date of this Act, and that
23 law is continued in effect for that purpose.