

BILL ANALYSIS

H.B. 1525
By: Thompson
Insurance
Committee Report (Amended)

BACKGROUND AND PURPOSE

Legislation enacted by the 77th Legislature required the Commissioner of Insurance to conduct a study of the Texas marketplace for small face amount life insurance and the issue that some policy premiums may exceed the face amount of the policy at some point in time. Additionally, the National Association of Insurance Commissioners has adopted model law requiring disclosure on any small face amount policy. H.B. 1525 sets forth disclosure requirements for small face amount life insurance.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Commissioner of Insurance in SECTION 1 (Section 1101.205, Insurance Code) of this bill.

ANALYSIS

H.B. 1525 amends the Insurance Code to require insurers, as specified, to disclose to an applicant for a small face amount policy the year in which the cumulative premiums paid for the policy will exceed the death benefit under the policy. The bill requires an insurer to provide the disclosure on receipt of the application and again not later than the date on which the policy is delivered. If the cumulative premiums may exceed the face amount of the policy for some demographic or benefit combination but not for all combinations, an insurer may elect to provide disclosure only in those circumstances in which the premiums may exceed the face amount or for all demographic and benefit combinations. The bill prohibits a disclosure from being attached to a policy, but authorizes the delivery of a disclosure with the policy.

The bill requires an insurer, including its agent, to provide information to policyholders on request regarding the disclosure. The bill authorizes the Commissioner of Insurance (Commissioner) to adopt, by rule, minimum requirements for disclosure statements. The bill authorizes the Commissioner to consider any model regulations proposed by the National Association of Insurance Commissioners, in adopting any rules under this section.

EFFECTIVE DATE

September 1, 2003.

EXPLANATION OF AMENDMENTS

Committee Amendment No. 1 requires insurers subject to disclosure requirements to provide disclosure if at any point in time over the term of the policy the cumulative premiums paid may exceed the face amount of the policy at that point in time. The amendment requires the disclosure to be provided to the policy owner or certificate holder no later than at the time the policy or certificate is delivered.