

BILL ANALYSIS

Senate Research Center

S.B. 1610
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DIGEST AND PURPOSE

Currently, there are no disclosure standards or requirements for small face amount life insurance policies, which are whole life insurance policies with a death benefit of less than \$15,000. These types of insurance products have historically been sold to working-class and poor people. As proposed, S.B. 1610 establishes standards for the timing and content of disclosures to both applicants for coverage and to policyholders and insureds. It also empowers the commissioner of insurance to make rules as necessary to implement and enforce the disclosure requirements.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 1101.409, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 1101, Insurance Code, as effective June 1, 2003, by adding Subchapter I, as follows:

SUBCHAPTER I. DISCLOSURE REQUIREMENTS FOR SMALL FACE AMOUNT LIFE INSURANCE POLICIES

Sec. 1101.401. DEFINITION. Defines “small face amount policy.”

Sec. 1101.402. APPLICABILITY. (a) Sets forth insurers to which this subchapter applies.

(b) Sets forth the type of insurance policies to which this subchapter applies.

(c) Defines “cumulative premiums.” Provides that the face amount does not include the benefit attributable to the riders.

Sec. 1101.403. MINIMUM DISCLOSURE REQUIREMENTS – APPLICANT FOR INSURANCE COVERAGE. (a) Sets forth minimum requirements regarding information to be disclosed by an insurer to an applicant for a small face amount policy.

(b) Requires the insurer, for a guaranteed issue small face amount policy, to provide a statement to the applicant regarding the effect of good health on the cost of the coverage provided under the policy and the possible advantages of alternative insurance products.

Sec. 1101.404. APPLICANT’S RIGHT TO CANCEL. Provides that each applicant for insurance coverage under a small face amount policy has the right to cancel the policy and obtain a refund of any premium paid before the 31st day after the date of issuance of the policy. Requires the insurer to provide each applicant for insurance coverage under a small face amount policy written notice of the 30-day right to cancel.

Sec. 1101.405. TIMING OF DISCLOSURE TO APPLICANT. Requires an insurer that issues a small face amount policy to provide the disclosure and notice prescribed by

Sections 1101.403 and 1101.404 on receipt of the application for coverage, and again not later than the date on which the policy is delivered.

Sec. 1101.406. **MINIMUM DISCLOSURE REQUIREMENTS – POLICYHOLDER AND INSURED.** Sets forth minimum requirements regarding information to be disclosed by the insurer to the holder of an insurance policy subject to this subchapter and to each insured under the policy.

Sec. 1101.407. **TIMING OF DISCLOSURE TO POLICYHOLDER AND INSURED.**

(a) Requires an insurer that issues a small face amount policy to provide the disclosure prescribed by Section 1101.406 at the time that, on payment of the next premium under the policy, the cumulative premiums paid will exceed the face amount of the policy.

(b) Requires the insurer to also provide the required disclosure to each policyholder and insured on the first anniversary of the date of the initial delivery of the policy, and every subsequent five-year anniversary of the date of the initial delivery of the policy.

Sec. 1101.408. **EFFECT OF RIDERS.** Provide that for purposes of this subchapter, cumulative premiums include premiums paid for riders. Provides that the face amount of a small face amount policy does not include the benefit attributable to the riders.

Sec. 1101.409. **RULES.** Requires the commissioner of insurance by rule to prescribe the format of the disclosure statements and notice required under this subchapter. Authorizes the commissioner of insurance to adopt other rules as necessary to implement this subchapter.

SECTION 2. Effective date: September 1, 2003.

Makes application of this Act prospective.