

BILL ANALYSIS

Senate Research Center
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S.B. 1619
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DIGEST AND PURPOSE

Currently, many small face amount life insurance policies are priced so that over the life of the policy, the insured person is likely to pay multiples of the death benefit for the coverage, which, at a certain point, could be considered to constitute usury. As proposed, S.B. 1619 places caps on the multiples of premium paid that an insurer may charge on a policy. The caps are indexed to age at the issuance of the policy and are based on actuarial analysis performed by staff at the Texas Department of Insurance.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 1101.255, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 1101, Insurance Code, by adding Subchapter F, as follows:

SUBCHAPTER F. MAXIMUM AMOUNT OF PREMIUMS CHARGED FOR CERTAIN LIFE INSURANCE POLICIES

Sec. 1101.251. DEFINITION. Defines “insurer.” Provides that the term does not include a fraternal benefit society.

Sec. 1101.252. APPLICABILITY. Provides that this subchapter applies only to a life insurance policy issued in this state with an initial face amount of \$15,000 or less.

Sec. 1101.253. MAXIMUM AMOUNT OF PREMIUMS PAID. (a) Prohibits an insurer from charging or collecting premiums for a life insurance policy that in the aggregate, less dividends paid in cash, exceed the amount computed under this section by multiplying the amount of the maximum death benefit available under the policy by the appropriate numerical factor associated with the age of the insured at the time the policy is issued.

(b) - (i) Set forth the numerical factors appropriate to each age category for the computation required by Subsection (a).

Sec. 1101.254. EFFECT OF PAYING MAXIMUM PREMIUMS. Provides that when the aggregate premiums paid for a life insurance policy reach the maximum amount computed under Section 1101.203, the life insurance policy becomes a paid-up policy.

Sec. 1101.255. RULES. Authorizes the commissioner of insurance to adopt rules necessary for the implementation of this subchapter.

SECTION 2. Effective date: September 1, 2003.

Makes application of this Act prospective to January 1, 2004.