

By: Dukes

H.B. No. 978

A BILL TO BE ENTITLED

AN ACT

1
2 relating to certain life insurance policies insuring the life of an
3 officer, stockholder, partner, or employee.

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

5 SECTION 1. Sections 1103.003 and 1103.004, Insurance Code,
6 as effective June 1, 2003, are amended to read as follows:

7 Sec. 1103.003. CORPORATION, JOINT STOCK ASSOCIATION, OR
8 TRUST ESTATE AS BENEFICIARY. (a) Subject to Subsection (b), a [A]
9 corporation, a joint stock association, or a trust estate that is
10 engaging in business for profit may be designated as a beneficiary
11 in a policy that insures the life of an officer or stockholder of
12 the corporation, joint stock association, or trust estate.

13 (b) A designation under this section is valid only with the
14 written consent of the officer or stockholder whose life is
15 insured.

16 Sec. 1103.004. PARTNERSHIP OR PARTNER AS BENEFICIARY. (a)
17 Subject to Subsection (b), a [A] partnership or a member of a
18 partnership may be designated as a beneficiary in a policy that
19 insures the life of a member of the partnership.

20 (b) A designation under this section is valid only with the
21 written consent of the member of the partnership whose life is
22 insured.

23 SECTION 2. Subchapter B, Chapter 1103, Insurance Code, as
24 effective June 1, 2003, is amended by adding Section 1103.057 to

1 read as follows:

2 Sec. 1103.057. CERTAIN LIFE INSURANCE POLICIES INSURING
3 EMPLOYEES PROHIBITED. (a) Notwithstanding Section 1103.054,
4 1103.055, or 1103.056, an individual who is insured under a life
5 insurance policy may not designate or consent to the designation of
6 an individual, partnership, association, corporation, or other
7 legal entity who is the employer of the individual as a beneficiary
8 of the policy.

9 (b) Subsection (a) does not apply if:

10 (1) the employer is an individual who is related by
11 blood or marriage to the individual who is insured under the policy;
12 or

13 (2) the designation is authorized under Section
14 1103.003 or 1103.004.

15 SECTION 3. This Act takes effect September 1, 2003, and
16 applies only to an insurance policy that is delivered or issued for
17 delivery on or after that date. A policy that is delivered or
18 issued for delivery before September 1, 2003, is governed by the
19 law as it existed immediately before the effective date of this Act,
20 and that law is continued in effect for that purpose.