

By: Thompson

H.B. No. 1525

A BILL TO BE ENTITLED

AN ACT

relating to certain small face amount life insurance policies.

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

SECTION 1. Chapter 1101, Insurance Code, as effective June 1, 2003, is amended by adding Subchapter E to read as follows:

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

Sec. 1101.201. DEFINITION. In this subchapter, "small face amount policy" means a life insurance policy with an initial face amount of \$15,000 or less.

Sec. 1101.202. APPLICABILITY; EXEMPTIONS. (a) This subchapter applies to each insurer authorized to write life insurance under Chapter 841, 882, 884, or 982. This subchapter does not apply to an insurer operating under Chapter 881, 885, 886, 887, or 888 or an insurer exempt under Section 887.102.

(b) Except as provided by Subsection (c), this subchapter applies to any individual or group life insurance policy issued in this state, including an industrial insurance policy offered under Chapter 1151.

(c) This subchapter does not apply to:

- (1) variable life insurance;
- (2) individual and group annuity contracts;
- (3) credit life insurance;
- (4) an individual or group life insurance policy

1 issued to members of an employer group or other authorized group in
2 which:

3 (A) each plan of coverage is selected by the
4 employer or other group representative;

5 (B) some portion of the premium is paid by the
6 group or through payroll deduction; and

7 (C) group underwriting or simplified
8 underwriting is applied; or

9 (5) a policy or certificate for which an illustration
10 is provided under the requirements adopted under 28 T.A.C. Section
11 21.2201 et seq.

12 Sec. 1101.203. DISCLOSURE REQUIREMENTS. (a) An insurer
13 subject to this subchapter shall provide disclosure if at any point
14 in time over the term of the policy the cumulative premiums paid may
15 exceed the face amount of the policy at that point in time. The
16 required disclosure shall be provided to the policy owner or
17 certificate holder no later than at the time the policy or
18 certificate is delivered. The disclosure shall not be attached to
19 the policy, but may be delivered with the policy.

20 (b) If, for a particular policy form, the cumulative
21 premiums may exceed the face amount of the policy for some
22 demographic or benefit combination but not for all combinations,
23 the insurer may elect to provide the disclosure:

24 (1) only in those circumstances in which the premiums
25 may exceed the face amount of the policy; or

26 (2) for all demographic and benefit combinations.

27 Sec. 1101.204. INSURER DUTIES. An insurer, including the

1 agent of the insurer, that issues a small face amount policy shall
2 provide information to policyholders on request regarding the
3 disclosure required by Section 1101.203.

4 Sec. 1101.205. RULES. The commissioner may adopt, by rule,
5 minimum requirements for the disclosure statement required under
6 Section 1101.203. In adopting rules under this section, the
7 commissioner may consider any model regulations proposed by the
8 National Association of Insurance Commissioners.

9 SECTION 2. This Act takes effect September 1, 2003, and
10 applies only to an insurance policy that is delivered on or after
11 that date. A policy that is delivered before September 1, 2003, is
12 governed by the law as it existed immediately before the effective
13 date of this Act, and that law is continued in effect for that
14 purpose.