

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 disclose to an applicant for a
14 small face amount policy the year in which the cumulative premiums
15 paid for the policy will exceed the death benefit under the policy.
16 The insurer shall provide the disclosure on receipt of the
17 application for coverage, and again not later than the date on which
18 the policy is delivered.

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

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

25 (2) for all demographic and benefit combinations.

26 (c) The disclosure may not be attached to the policy but may
27 be delivered with the policy.

1 Sec. 1101.204. INSURER DUTIES. An insurer, including the
2 agent of the insurer, that issues a small face amount policy shall
3 provide information to policyholders on request regarding the
4 disclosure required by Section 1101.203.

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

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

COMMITTEE AMENDMENT NO. 1

Amend H.B. 1525 as follows:

(1) on page 2 by striking lines 12 through 18 and substituting the following:

"Sec. 1101.203. DISCLOSURE REQUIREMENTS. (a) An insurer subject to this subchapter shall 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 required disclosure shall be provided to the policy owner or certificate holder no later than at the time the policy or certificate is delivered. The disclosure shall not be attached to the policy, but may be delivered with the policy."; and,

(2) on page 2 by deleting Subsection (c) on lines 26 and 27.

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