

By: Giddings

H.B. No. 2809

A BILL TO BE ENTITLED

AN ACT

relating to required payment options for 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. SMALL FACE AMOUNT LIFE INSURANCE POLICIES

Sec. 1101.201. APPLICABILITY. (a) This subchapter applies to each insurer authorized to write life insurance in this state, including an insurer operating under Chapter 841, 881, 882, 884, 885, 886, 887, 888, or 982 and an insurer exempt under Section 887.102.

(b) This subchapter applies to any individual or group life insurance policy, other than a term life insurance policy, issued in this state, including an industrial insurance policy offered under Chapter 1151.

Sec. 1101.202. REQUIRED ALTERNATIVE PAYMENT OPTIONS. (a) An insurer that offers a life insurance policy that provides a death benefit of \$10,000 or less must offer alternative premium payment options to the payment options the insurer would otherwise have offered if, at any point in time over the term of the policy, the cumulative premiums paid, less dividends paid by the insurer, might exceed 150 percent of the face amount of the policy.

(b) For purposes of this section, the insurer must offer

1 alternative premium payment options that include payment schedules  
2 that allow for shorter payment periods and schedules for making  
3 payments less often.

4 (c) The alternative payment option information shall be  
5 provided to the policyholder before the sale of the policy, and  
6 again not later than the day on which the policy is delivered.

7 (d) For purposes of this section, cumulative premiums  
8 include premiums paid for riders. However, the face amount does not  
9 include the benefit attributable to the riders.

10 SECTION 2. This Act takes effect September 1, 2003, and  
11 applies only to a life insurance policy that is delivered, issued  
12 for delivery, or renewed on or after January 1, 2004. A life  
13 insurance policy that is delivered, issued for delivery, or renewed  
14 before January 1, 2004, is governed by the law as it existed  
15 immediately before the effective date of this Act, and that law is  
16 continued in effect for that purpose.