

By: Giddings

H.B. No. 2811

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 I to read as follows:

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

Sec. 1101.401. DEFINITION. In this subchapter, "small face amount policy" means a life insurance policy with an initial face amount of \$10,000 or less.

Sec. 1101.402. 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. 1101.403. MINIMUM DISCLOSURE REQUIREMENTS--APPLICANT FOR INSURANCE COVERAGE. (a) At a minimum, an insurer subject to this subchapter shall disclose to an applicant for a small face amount policy:

(1) the death benefit under the policy;

1           (2) the annual premium for the policy;

2           (3) the cumulative premium for the policy paid at  
3 intervals of 5, 10, and 20 years;

4           (4) the year in which cumulative premiums will exceed  
5 the death benefit; and

6           (5) the possible advantages to the applicant of  
7 coverage under a single policy with a larger face amount rather than  
8 several smaller policies.

9           (b) For a guaranteed issue small face amount policy, the  
10 insurer shall provide in the disclosure statement, in addition to  
11 the information required under Subsection (a), a statement to the  
12 applicant regarding the effect of good health on the cost of the  
13 coverage provided under the policy and the possible advantages of  
14 alternative insurance products.

15           Sec. 1101.404. APPLICANT'S RIGHT TO CANCEL. Each applicant  
16 for coverage under a small face amount policy has the right to  
17 cancel the policy and obtain a refund of any premium paid before the  
18 31st day after the date of issuance of the policy. The insurer  
19 shall provide each applicant for insurance coverage under a small  
20 face amount policy written notice of the 30-day right to cancel.

21           Sec. 1101.405. TIMING OF DISCLOSURE TO APPLICANT. An  
22 insurer that issues a small face amount policy shall provide the  
23 disclosure and notice prescribed by Sections 1101.403 and 1101.404  
24 on receipt of the application for coverage, and again not later than  
25 the date on which the policy is delivered.

26           Sec. 1101.406. MINIMUM DISCLOSURE  
27 REQUIREMENTS--POLICYHOLDER AND INSURED. At a minimum, an insurer

1 shall disclose to the holder of an insurance policy subject to this  
2 subchapter and to each insured under the policy:

- 3 (1) the death benefit under the policy;  
4 (2) the annual premium for the policy;  
5 (3) the cumulative premium for the policy paid as of  
6 the date of the disclosure;  
7 (4) the cash value of the policy, if any; and  
8 (5) the year in which cumulative premiums will exceed  
9 the death benefit.

10 Sec. 1101.407. TIMING OF DISCLOSURE TO POLICYHOLDER AND  
11 INSURED. (a) An insurer that issues a small face amount policy  
12 shall provide the disclosure prescribed by Section 1101.406 at the  
13 time that, on payment of the next premium under the policy, the  
14 cumulative premiums paid will exceed the face amount of the policy.

15 (b) The insurer shall also provide the required disclosure  
16 to each policyholder and insured on:

- 17 (1) the first anniversary of the date of the initial  
18 delivery of the policy; and  
19 (2) every subsequent five-year anniversary of the date  
20 of the initial delivery of the policy.

21 Sec. 1101.408. EFFECT OF RIDERS. For purposes of this  
22 subchapter, cumulative premiums include premiums paid for riders.  
23 However, the face amount of a small face amount policy does not  
24 include the benefit attributable to the riders.

25 Sec. 1101.409. RULES. The commissioner by rule shall  
26 prescribe the format of the disclosure statements required under  
27 Sections 1101.403 and 1101.406 and the notice required under

1 Section 1101.404. The commissioner may adopt other rules as  
2 necessary to implement this subchapter.

3 SECTION 2. This Act takes effect September 1, 2003, and  
4 applies only to an insurance policy that is delivered on or after  
5 that date. A policy that is delivered before September 1, 2003, is  
6 governed by the law as it existed immediately before the effective  
7 date of this Act, and that law is continued in effect for that  
8 purpose.