

BILL ANALYSIS

C.S.H.B. 526
By: Berman
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In Texas today a purchaser of a group life insurance policy or certificate cannot purchase more than 250,000 dollars of life insurance. Texas is an exception in that, other states allow a purchaser of a group life insurance policy or certificate to purchase up to seven times the amount of their annual income or more depending on the limits set by an individual company. This law would be changed by removing the caps that are placed on the face amount of group life insurance policies or certificates. The purpose of CSHB 526 is to remove any caps that are placed on group life insurance policy or certificate purchasers.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1: Amends Sections 1134.455 by changing Subsection (a) to read that... ?the amount of insurance on a debtor's life under the policy may not exceed the amount of the debtors indebtedness", therefore deleting subdivisions two and three. Subsection (b) is amended to allow a debtor to purchase a group life insurance policy up to only the total amount due to the creditor, deleting subdivision 2. Subsection (d) removes language that places a cap on the amount of insurance a group life insurance policy purchaser may purchase, other than the amount of the loan commitment on a non-decreasing or level term plan.

SECTION 2: Removes any language in Section 1131 of the Insurance Code that places a cap on group life insurance policy or certificate purchasers. It repeals subsections (b)-(d) in Section 1131.205, subsections (b)-(d) in Section 1131.255, subsection (b) of Section 1131.405, all of Section 1131.754, and subsection (b) of Section 1131.755 of the Insurance Code.

SECTION 3: Establishes that any changes made in this law will only apply to a group life insurance policy or certificate that is delivered, issued for delivery, or renewed on or after the effective date of the act.

SECTION 4: Effective date will be immediately if given a vote of two-thirds of all members of each house. If the vote is not given, then this Act will take effect September 1, 2005.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The differences are found in the first section. CSHB 526 adds a new section naming it Section one, thus renumbering all the other sections accordingly. The new section one is including Subchapter J, regarding Group Life Insurance Policies Issued to Creditors: Additional Requirements, to the list of sub-chapters that are currently involved in removing the caps from the amount of insurance a group life insurance purchaser may purchase.