

## **BILL ANALYSIS**

C.S.S.B. 506  
By: Shapleigh  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

United States military personnel are being offered high-cost life insurance products by companies and brokers engaging in abusive and misleading sales practices. Many products provide low death benefits for high premiums, and some are front-loaded with high rates in the first few years, making them inappropriate for most military personnel.

The Texas Department of Insurance (TDI) has begun an investigation of predatory insurance practices against United States servicemembers in Texas. However, TDI's ability to monitor and regulate the brokers working on military installations is vague.

CSSB 506 prohibits an insurer or an insurer's agent from selling a life insurance policy to a member of the United States armed forces or a member of the Texas National Guard without notifying the member of less expensive policies that may be available through the federal government. It also requires the state commissioner of insurance to adopt new standards for the marketing of life insurance products to military personnel, and gives the commissioner the authority to revoke an insurer's certificate of authority or an agent's license for non-compliance with those standards.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of the Texas Department of Insurance in SECTION 1 (Section 560.003, Insurance Code) of this bill.

### **ANALYSIS**

SECTION 1. Amends Subtitle C, Title 5, Insurance Code, as effective April 1, 2005, by adding Chapter 560, as follows:

CHAPTER 560. SALE OF LIFE INSURANCE TO CERTAIN MILITARY PERSONNEL  
Sec. 560.001. SALE OF LIFE INSURANCE TO CERTAIN MILITARY PERSONNEL. Provides that the in this chapter, "life insurance" does not include credit life insurance.

Sec. 560.002. REQUIRED DISCLOSURE. Prohibits an insurer or an insurer's agent from selling a life insurance policy to a member of the United States armed forces or the Texas National Guard unless the insurer or agent first notifies the member that subsidized or less expensive life insurance may be available to the member from the state or federal government.

Sec. 560.003. ADDITIONAL DISCLOSURE AND MARKETING STANDARDS. Requires the commissioner of insurance (commissioner), by rule, to adopt standards for the disclosure required under Section 560.001 and for the marketing of life insurance products specifically directed to the United States armed forces and the National Guard. Requires the standards adopted under this section to prohibit dishonest and unfair insurance sales practices. Requires the standards adopted under this section to be consistent with any adopted federal standards.

Sec. 560.004. APPLICABILITY TO CONDUCT ON CERTAIN FEDERAL PROPERTY. Provides that this chapter and rules adopted under this chapter, to the extent authorized by federal law, apply to conduct on a federal military installation or other federal land or facility.

Sec. 560.005. ENFORCEMENT. Authorizes the commissioner, in addition to the sanctions authorized by Chapter 82 (Sanctions), to revoke the certificate of authority of an insurer or the license of an agent if the commissioner finds that the insurer or agent has violated this chapter.

C.S.S.B. 506 79(R)

SECTION 2. Requires the commissioner to adopt rules under Section 560.002, Insurance Code, as added by this Act, not later than the 60th day after the effective date of this Act.

SECTION 3. Effective date: upon passage or September 1, 2005.

**EFFECTIVE DATE**

This Act takes effect immediately if it receives the necessary vote, otherwise it takes effect September 1, 2005.

**COMPARISON OF SUBSTITUTE TO ORIGINAL**

The substitute adds the words "specifically directed" to make the bill more specific to members of the Armed Forces and National Guard.

It also changes "predatory" to "unfair" because the term "unfair" is already defined in the Insurance Code. Finally it provides that the disclosure required would not be applicable to credit life insurance.