

By: Thompson

H.B. No. 1134

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, 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 the policy owner or
14 certificate holder if at any point in time over the term of the
15 policy the cumulative premiums paid may exceed the face amount of
16 the policy at that point in time. The insurer shall provide the
17 required disclosure not later than the date on which the policy or
18 certificate is delivered. The disclosure may not be attached to the
19 policy but may be delivered with the policy.

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

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

26 (2) for all demographic and benefit combinations.

27 Sec. 1101.204. INSURER DUTIES. An insurer, including the

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

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

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

15 SECTION 3. This Act takes effect September 1, 2005.