

By: Smithee

H.B. No. 1590

A BILL TO BE ENTITLED

AN ACT

relating to lapse rates in the computation of reserves for certain life insurance contracts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 425, Insurance Code, is amended by adding Section 425.071 to read as follows:

Sec. 425.071. LAPSE RATES IN MINIMUM STANDARD OF VALUATION.

(a) The minimum standard of valuation under this subchapter may include lapse rates in the calculation of reserves for a secondary guarantee in universal life contracts issued after December 31, 2006.

(b) For purposes of this section, a secondary guarantee refers to specified conditions in a universal life contract that, if satisfied, provide for death benefits to remain in effect regardless of the accumulation value in the contract.

(c) Lapse rates authorized by this section may not exceed two percent per year.

(d) The commissioner is authorized to adopt rules to implement this section.

SECTION 2. This Act takes effect June 1, 2007, if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the votes necessary for effect on that date, this Act takes effect September 1, 2007.