

By: Smithee

H.B. No. 1590

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to Chapter 425, Subchapter B, Insurance Code, the Standard  
3 Valuation Law, by adding Section 425.071 to include lapse rates in  
4 the calculation of reserves for secondary guarantees in universal  
5 life contracts.

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

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

9 § 425.071. LAPSE RATES IN MINIMUM STANDARD OF VALUATION

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

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

18 (c) Lapse rates authorized by this section may not exceed 2%  
19 per year.

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

22 SECTION 2. This Act takes effect June 1, 2007, if it  
23 receives a vote of two-thirds of all the members elected to each  
24 house, as provided by Section 39, Article III, Texas Constitution.

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1 If this Act does not receive the votes necessary for effect on that  
2 date, this Act takes effect September 1, 2007.