

1-1 By: Smithee (Senate Sponsor - Averitt) H.B. No. 1590  
1-2 (In the Senate - Received from the House April 23, 2007;  
1-3 April 26, 2007, read first time and referred to Committee on State  
1-4 Affairs; May 4, 2007, reported favorably by the following vote:  
1-5 Yeas 8, Nays 0; May 4, 2007, sent to printer.)

1-6 A BILL TO BE ENTITLED  
1-7 AN ACT

1-8 relating to lapse rates in the computation of reserves for certain  
1-9 life insurance contracts.

1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-11 SECTION 1. Subchapter B, Chapter 425, Insurance Code, is  
1-12 amended by adding Section 425.071 to read as follows:

1-13 Sec. 425.071. LAPSE RATES IN MINIMUM STANDARD OF VALUATION.

1-14 (a) The minimum standard of valuation under this subchapter may  
1-15 include lapse rates in the calculation of reserves for a secondary  
1-16 guarantee in universal life contracts issued after December 31,  
1-17 2006.

1-18 (b) For purposes of this section, a secondary guarantee  
1-19 refers to specified conditions in a universal life contract that,  
1-20 if satisfied, provide for death benefits to remain in effect  
1-21 regardless of the accumulation value in the contract.

1-22 (c) Lapse rates authorized by this section may not exceed  
1-23 two percent per year.

1-24 (d) The commissioner is authorized to adopt rules to  
1-25 implement this section.

1-26 SECTION 2. This Act takes effect June 1, 2007, if it  
1-27 receives a vote of two-thirds of all the members elected to each  
1-28 house, as provided by Section 39, Article III, Texas Constitution.  
1-29 If this Act does not receive the votes necessary for effect on that  
1-30 date, this Act takes effect September 1, 2007.

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