

By: Eiland

H.B. No. 2765

A BILL TO BE ENTITLED

AN ACT

relating to certain variable insurance contracts.

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

SECTION 1. Subchapter C, Chapter 1152, Insurance Code, is amended by adding Section 1152.110 to read as follows:

Sec. 1152.110. PRIVATE PLACEMENT CONTRACTS. (a) In this section, "private placement contract" means a variable annuity contract or variable life insurance policy that is:

(1) issued exclusively to an accredited investor or qualified purchaser, as those terms are defined by the Securities Act of 1933 (15 U.S.C. Section 77a et seq.), the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), or the regulations promulgated under either of those acts; and

(2) offered for sale and sold in a transaction that is exempt from registration under the Securities Act of 1933 (15 U.S.C. Section 77a et seq.).

(b) A private placement contract may provide that the insurer issuing the contract may defer payments or advances for loans, cash surrender values, or death benefits until the separate account assets, or any portion of the separate account assets, comprising rights to loans, cash surrender values, or death benefits can be converted to cash under any applicable terms.

(c) Section 1103.104 does not apply to the computation of the interest on the proceeds of a private placement contract.

1 SECTION 2. Section 1101.011, Insurance Code, is amended to
2 read as follows:

3 Sec. 1101.011. TIME FOR SETTLEMENT OF CLAIM. (a) Except as
4 provided by Subsection (b), a [A] life insurance policy must
5 provide that settlement under the policy after the death of the
6 insured will be made not later than two months after the date of
7 receipt of proof of:

- 8 (1) the death; and
9 (2) the right of the claimant to the proceeds of the
10 policy.

11 (b) A private placement contract issued under Section
12 1152.110 may provide that:

13 (1) settlement of that portion of the contract
14 attributable to separate account assets is subject to the liquidity
15 of those assets; and

16 (2) the portion of the contract described by
17 Subdivision (1) must be settled by the insurer when the separate
18 account assets are converted to cash under any applicable terms,
19 which may be a period longer than the two-month period described by
20 Subsection (a).

21 SECTION 3. Section 1103.102, Insurance Code, is amended by
22 amending Subsection (a) and adding Subsection (c) to read as
23 follows:

24 (a) Except as provided by Subsection (b) or (c), if an
25 individual obtains a policy insuring the individual's life,
26 designates in writing a beneficiary to receive the proceeds of the
27 policy, and files the written designation with the company, the

1 company shall pay the proceeds that become due on the death of the
2 insured to the designated beneficiary.

3 (c) A private placement contract issued under Section
4 1152.110 may provide that:

5 (1) settlement of that portion of the contract
6 attributable to separate account assets is subject to the liquidity
7 of those assets; and

8 (2) the portion of the contract described by
9 Subdivision (1) must be settled by the insurer when the separate
10 account assets are converted to cash under any applicable terms,
11 which may be a period longer than the two-month period described by
12 Section 1101.011(a).

13 SECTION 4. The change in law made by this Act applies only
14 to a private placement contract that is delivered, issued for
15 delivery, or renewed on or after January 1, 2008. A private
16 placement contract that is delivered, issued for delivery, or
17 renewed before January 1, 2008, is covered by the law in effect at
18 the time the contract was delivered, issued for delivery, or
19 renewed, and that law is continued in effect for that purpose.

20 SECTION 5. This Act takes effect September 1, 2007.