

BILL ANALYSIS

Senate Research Center
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H.B. 1761
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State Affairs
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas adopted the 2001 Commissioner's Standard Ordinary Mortality Table for life insurance by rule in 2003; however, the minimum reserve requirements for credit life and credit accident and health insurance are currently set by an outdated mortality table that was implemented nearly 30 years ago. The Texas Association of Life and Health Insurers has been working with the Texas Department of Insurance to update these standards to reflect those currently approved by the National Association of Insurance Commissioners.

H.B. 1761 amends current law relating to the reserve requirements for credit life and credit accident and health insurance.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 425.058, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 425.058(1), Insurance Code, as follows:

(1) (1) Creates this subdivision from existing text. Provides that, notwithstanding any other law, the minimum reserve requirements applicable to a credit life policy issued under Chapter 1153 (Credit Life Insurance and Credit Accident and Health Insurance) before January 1, 2009, are met if, in the aggregate, the reserves are maintained at 100 percent of the 1980 Commissioner's Standard Ordinary Mortality Table, with interest that does not exceed 5.5 percent. Deletes existing text providing that this subsection expires September 1, 2013.

(2) Requires that the reserve requirement, for credit life policy reserves on contracts issued to be effective on or after January 1, 2009, be based on minimum reserve standards established by the commissioner of insurance (commissioner) by rule. Requires the commissioner to adopt the rules based on either the 2001 CSO Male Composite Ultimate Mortality Table for male and female insureds; or another CSO Mortality Table approved by the National Association of Insurance Commissioners on or after January 1, 2009, for use on credit life policy reserves.

(3) Requires that the reserve requirements, for a single premium credit accident and health contract issued on or after January 1, 2009, be based on minimum reserve standards established by the commissioner by rule. Requires the commissioner to adopt the rules based on either the 1985 Commissioners Individual Disability Table A (85CIDA); or another Commissioner's Disability Table approved by the National Association of Insurance Commissioners on or after January 1, 2009, for use on credit accident and health policy reserves.

(4) Requires the insurer, for all credit insurance contracts, if the net premium refund liability exceeds the aggregate recorded contract reserve, to establish an additional reserve liability that is equal to the excess of the net refund liability over the contract reserve recorded. Authorizes that the net refund liability include consideration of commission, premium tax, and other expenses recoverable.

(5) Authorizes the commissioner, in addition to the rules required to be adopted under this subsection, to adopt other rules to implement this subsection.

SECTION 2. (a) Makes application of this Act prospective to January 1, 2009.

(b) Requires the commissioner to adopt rules as required to implement Section 425.058(1), Insurance Code, as amended by this Act, not later than the 60th day after the effective date of this Act. Requires insurers, until rules are adopted as required by this subsection, to continue to use the minimum reserve standards under Section 425.058(1), Insurance Code, as that section existed immediately before amendment by this Act.

SECTION 3. Effective date: upon passage or September 1, 2009.