

BILL ANALYSIS

C.S.H.B. 1761
By: Thompson
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

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the minimum reserve requirements for credit life and credit accident and health insurance are currently set by an outdated mortality table that was implemented nearly 30 years ago.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.

C.S.H.B. 1761 requires the commissioner of insurance to update by rule the credit life and credit accident and health reserve requirements.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTIONS 1 and 2 of this bill.

ANALYSIS

C.S.H.B. 1761 amends Insurance Code provisions that establish when the minimum reserve requirements for a policy issued under the Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance are met, to specify that such provisions apply to a credit life policy issued before January 1, 2009, and to remove the September 1, 2013, expiration date applied to those provisions. The bill requires the reserve requirements for credit life policy reserves on contracts issued to be effective on or after January 1, 2009, to be based on minimum reserve standards established by rule of the commissioner of insurance. The bill requires the commissioner to adopt these rules based on the 2001 Commissioner's Standard Ordinary (CSO) Male Composite Ultimate Mortality Table for male and female insureds or on another CSO Mortality Table approved by the National Association of Insurance Commissioners (NAIC) on or after January 1, 2009, for use on credit life policy reserves.

C.S.H.B. 1761 requires the reserve requirements for a single premium credit accident and health contract issued on or after January 1, 2009, to be based on minimum reserve standards established by rule of the commissioner of insurance. The bill requires the commissioner to adopt these rules based on the 1985 Commissioners Individual Disability Table A (85CIDA) or on another Commissioner's Disability Table approved by the NAIC on or after January 1, 2009, for use on credit accident and health policy reserves.

C.S.H.B. 1761 requires the insurer to establish an additional reserve liability that is equal to the excess of the net refund liability over the contract reserve recorded for all credit insurance contracts, if the net premium refund liability exceeds the aggregate recorded contract reserve. The bill provides that the net refund liability may include consideration of commission, premium tax, and other expenses recoverable.

C.S.H.B. 1761 requires the commissioner to adopt rules as required not later than the 60th day

after the effective date of the bill and, in addition, authorizes the commissioner to adopt other rules as needed to implement the bill's provisions.

C.S.H.B. 1761 makes its provisions applicable to all credit life and credit accident and health insurance policies issued on or after January 1, 2009. The bill requires insurers to use the minimum reserve standards as they existed immediately before amendment by this bill until rules are adopted by the commissioner.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1761 specifies in the provision establishing how the minimum reserve requirements, issued under the Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance are met that the requirements are for a "credit life policy" issued under Chapter 1153, rather than for a "policy" issued under the chapter as in the original. C.S.H.B. 1761 differs from the original by removing the September 1, 2013, expiration date applied to this provision.

C.S.H.B. 1761, in a provision relating to the basis on which the commissioner adopts rules for minimum reserve standards, makes the provision applicable to standards for credit life policy reserves on contracts issued to be effective on or after January 1, 2009, rather than to standards for reserves for a credit life policy issued on or after that date as in the original. C.S.H.B. 1761 requires the commissioner to adopt these rules based on certain items, including a CSO Mortality Table approved by the NAIC on or after January 1, 2009, rather than the most recent CSO Mortality Table issued by the NAIC as in the original.

C.S.H.B. 1761 differs from the original by requiring the establishment by rule of minimum reserve standards for the reserve requirements for a single premium credit accident and health contract, rather than for a single premium credit disability contract as in the original. C.S.H.B. 1761 requires the commissioner to adopt these rules based on certain items including a Commissioner's Disability Table approved by the NAIC on or after January 1, 2009, for use on credit accident and health policy reserves rather than on the most recent Commissioner's Disability Table approved by the NAIC for use on credit disability policy reserves as in the original.

C.S.H.B. 1761 removes a provision from the original requiring the reserve calculations under these provisions to be computed annually from each applicable table using data from the previous year and to be reported in an insurer's annual statement that must be filed on March 1 of each year and a removes a provision from the original requiring the initial reserve calculation to be reported in the annual statement that must be filed on March 1, 2010.

C.S.H.B. 1761 adds a provision not in the original requiring insurers to use the minimum reserve standards in the unamended provisions as they existed immediately before amendment by this bill, until rules are adopted by the commissioner of insurance.