

## **BILL ANALYSIS**

C.S.H.B. 2570  
By: Hancock  
Insurance  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Stipulated premium insurance companies primarily sell life insurance policies that are used to fund pre-need funeral contracts. When the law was enacted, most funerals did not come close to costing \$15,000 which is currently the maximum amount of coverage that can be sold by these companies. Companies are now starting to see more and more contracts reaching that \$15,000 limit.

C.S.H.B. 2570 amends the Texas Insurance Code to increase the maximum life insurance coverage permitted to be issued by stipulated premium companies from \$15,000 to \$25,000, and authorizes agents for stipulated premium companies to sell policies not to exceed \$25,000. C.S.H.B. 2570 increases the capital stock from \$15,000 to \$25,000 and surplus from \$7,500 to \$12,500 that a stipulated premium company must have at the time of incorporation. Additionally, the bill allows the Commissioner of Insurance to required a stipulated premium company who writes contracts in excess of \$25,000 to maintain capital and surplus in amounts that exceed the minimum amounts required by Chapter 884, Insurance Code.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTION 10 of this bill.

### **ANALYSIS**

C.S.H.B. 2570 amends the Insurance Code to increase from \$15,000 to \$25,000 the maximum amount for which a stipulated premium company is authorized to insure one life or authorized to assume liability on a life insurance risk on one life. The bill authorizes, if a stipulated premium company assumes a life insurance risk under a life insurance policy, the limit on the initial death benefit to increase to an amount greater than \$25,000, rather than \$15,000. The bill requires a person to hold a general life, accident, and health license if the person acts as an agent who writes for a stipulated premium company only life insurance in excess of \$25,000 on any one life rather than \$15,000 on any one life. The bill amends provisions relating to the authority of and licensing requirements for a life insurance agent licensed to only write coverage or a combination of coverages with an initial guaranteed death benefit that does not exceed \$15,000 on any life to increase that limit to \$25,000. The bill makes conforming changes to reflect the increased limit from \$15,000 to \$25,000.

C.S.H.B. 2570 increases from \$15,000 to \$25,000 the minimum amount of capital stock a proposed stipulated premium company must possess and increases from \$7,500 to \$12,500 the minimum amount of surplus such a company, to be incorporated, must possess in addition to its capital at the time of incorporation. The bill establishes that the capital and unencumbered surplus a stipulated premium company that issues any insurance coverage under these provisions must maintain at all times are the amounts specified in these provisions, rather than the amounts the company possessed when it began writing the coverage.

C.S.H.B. 2570 requires a stipulated premium company to increase its capital stock and surplus as required under these provisions not later than March 1, 2010, or another date prescribed by rule by the commissioner of insurance in connection with a reasonable schedule of intermediate increases adopted by the commissioner to provide for a phase- in of the changes in law made by

this bill.

C.S.H.B. 2570 makes its provisions applicable to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2010.

**EFFECTIVE DATE**

September 1, 2009.

**COMPARISON OF ORIGINAL TO SUBSTITUTE**

The substitute removes the provision in the original bill that authorizes the commissioner of insurance by rule to require a stipulated premium company that writes or assumes life insurance, annuity contracts, or accident and health insurance for a risk to one person in an amount that exceeds \$25,000, rather than \$10,000, to maintain capital and surplus in amounts that exceed the minimum amounts required because of certain conditions.