

By: Thompson

H.B. No. 1761

A BILL TO BE ENTITLED

AN ACT

relating to the reserve requirements for credit life and credit
accident and health insurance.

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

SECTION 1. Section 425.058(1), Insurance Code, is amended
to read as follows:

(1)(1) Notwithstanding any other law, the minimum reserve
requirements applicable to a credit life policy issued under
Chapter 1153 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. [~~This subsection expires
September 1, 2013.~~]

(2) For credit life policy reserves on contracts
issued to be effective on or after January 1, 2009, the reserve
requirements shall be based on minimum reserve standards
established by the commissioner by rule. The commissioner shall
adopt the rules based on either:

(A) the 2001 CSO Male Composite Ultimate
Mortality Table for male and female insureds; or

(B) 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) For a single premium credit accident and health

1 contract issued on or after January 1, 2009, the reserve
2 requirements shall be based on minimum reserve standards
3 established by the commissioner by rule. The commissioner shall
4 adopt the rules based on either:

5 (A) the 1985 Commissioners Individual Disability
6 Table A (85CIDA); or

7 (B) another Commissioner's Disability Table
8 approved by the National Association of Insurance Commissioners on
9 or after January 1, 2009, for use on credit accident and health
10 policy reserves.

11 (4) For all credit insurance contracts, if the net
12 premium refund liability exceeds the aggregate recorded contract
13 reserve, the insurer shall establish an additional reserve
14 liability that is equal to the excess of the net refund liability
15 over the contract reserve recorded. The net refund liability may
16 include consideration of commission, premium tax, and other
17 expenses recoverable.

18 (5) In addition to the rules required to be adopted
19 under this subsection, the commissioner may adopt other rules to
20 implement this subsection.

21 SECTION 2. (a) The change in law made by this Act applies to
22 all credit life and credit accident and health insurance policies
23 issued on or after January 1, 2009.

24 (b) The commissioner of insurance shall adopt rules as
25 required to implement Section 425.058(1), Insurance Code, as
26 amended by this Act, not later than the 60th day after the effective
27 date of this Act. Until rules are adopted as required by this

1 subsection, insurers shall continue to use the minimum reserve
2 standards under Section 425.058(1), Insurance Code, as that section
3 existed immediately before amendment by this Act.

4 SECTION 3. This Act takes effect immediately if it receives
5 a vote of two-thirds of all the members elected to each house, as
6 provided by Section 39, Article III, Texas Constitution. If this
7 Act does not receive the vote necessary for immediate effect, this
8 Act takes effect September 1, 2009.