

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 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) The minimum reserve requirements applicable to a
credit life policy issued under Chapter 1153 on or after January 1,
2009, shall be based on minimum reserve standards established by
the commissioner by rule. In adopting rules under this section, the
commissioner shall adopt rules based on:

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

(B) the most recent CSO Mortality Table approved
by the National Association of Insurance Commissioners for use on
credit life policy reserves.

(3) The minimum reserve requirements applicable to a
single premium credit disability contract issued under Chapter 1153

1 on or after January 1, 2009, shall be based on minimum reserve
2 standards established by the commissioner by rule. In adopting
3 rules under this section, the commissioner shall adopt rules based
4 on:

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

7 (B) the most recent Commissioner's Disability
8 Table approved by the National Association of Insurance
9 Commissioners for use on credit disability policy reserves.

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

17 (5) Computation of reserves for policies and contracts
18 described by this subsection shall be computed annually from each
19 applicable table using data from the preceding year. Reserve
20 calculations shall be reported by each insurer as part of the
21 insurer's annual statement required to be filed on March 1 of each
22 year.

23 (6) In addition to the rules required to be adopted
24 under this subsection, the commissioner may adopt other rules to
25 implement this subsection.

26 SECTION 2. (a) The change in law made by this Act applies to
27 all credit life and credit accident and health insurance policies

1 issued on or after January 1, 2009.

2 (b) The commissioner of insurance shall adopt rules as
3 required to implement Section 425.058(1), Insurance Code, as
4 amended by this Act, not later than the 60th day after the effective
5 date of this Act.

6 (c) The initial reserve calculations under Section
7 425.058(1), Insurance Code, as amended by this Act, must be
8 reported in the annual statement required to be filed on March 1,
9 2010.

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