

1-1 By: Thompson (Senate Sponsor - Van de Putte) H.B. No. 1761  
1-2 (In the Senate - Received from the House March 30, 2009;  
1-3 April 27, 2009, read first time and referred to Committee on State  
1-4 Affairs; May 7, 2009, reported adversely, with favorable Committee  
1-5 Substitute by the following vote: Yeas 9, Nays 0; May 7, 2009, sent  
1-6 to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 1761 By: Van de Putte

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to the reserve requirements for credit life and credit  
1-11 accident and health insurance.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Section 425.058(1), Insurance Code, is amended  
1-14 to read as follows:

1-15 (1)(1) Notwithstanding any other law, the minimum reserve  
1-16 requirements applicable to a credit life policy issued under  
1-17 Chapter 1153 before January 1, 2009, are met if, in the aggregate,  
1-18 the reserves are maintained at 100 percent of the 1980  
1-19 Commissioner's Standard Ordinary Mortality Table, with interest  
1-20 that does not exceed 5.5 percent. [~~This subsection expires~~  
1-21 ~~September 1, 2013.~~]

1-22 (2) For credit life policy reserves on contracts  
1-23 issued to be effective on or after January 1, 2009, the reserve  
1-24 requirements shall be based on minimum reserve standards  
1-25 established by the commissioner by rule. The commissioner shall  
1-26 adopt the rules based on either:

1-27 (A) the 2001 CSO Male Composite Ultimate  
1-28 Mortality Table for male and female insureds; or

1-29 (B) another CSO Mortality Table approved by the  
1-30 National Association of Insurance Commissioners on or after January  
1-31 1, 2009, for use on credit life policy reserves.

1-32 (3) For a single premium credit accident and health  
1-33 contract issued on or after January 1, 2009, the reserve  
1-34 requirements shall be based on minimum reserve standards  
1-35 established by the commissioner by rule. The commissioner shall  
1-36 adopt the rules based on either:

1-37 (A) the 1985 Commissioners Individual Disability  
1-38 Table A (85CIDA); or

1-39 (B) another Commissioner's Disability Table  
1-40 approved by the National Association of Insurance Commissioners on  
1-41 or after January 1, 2009, for use on credit accident and health  
1-42 policy reserves.

1-43 (4) For all credit insurance contracts, if the net  
1-44 premium refund liability exceeds the aggregate recorded contract  
1-45 reserve, the insurer shall establish an additional reserve  
1-46 liability that is equal to the excess of the net refund liability  
1-47 over the contract reserve recorded. The net refund liability may  
1-48 include consideration of commission, premium tax, and other  
1-49 expenses recoverable.

1-50 (5) In addition to the rules required to be adopted  
1-51 under this subsection, the commissioner may adopt other rules to  
1-52 implement this subsection.

1-53 SECTION 2. (a) The change in law made by this Act applies to  
1-54 all credit life and credit accident and health insurance policies  
1-55 issued on or after January 1, 2009.

1-56 (b) The commissioner of insurance shall adopt rules as  
1-57 required to implement Section 425.058(1), Insurance Code, as  
1-58 amended by this Act, not later than the 120th day after the  
1-59 effective date of this Act. Until rules are adopted as required by  
1-60 this subsection, insurers shall continue to use the minimum reserve  
1-61 standards under Section 425.058(1), Insurance Code, as that section  
1-62 existed immediately before amendment by this Act.

1-63 SECTION 3. This Act takes effect immediately if it receives

2-1 a vote of two-thirds of all the members elected to each house, as  
2-2 provided by Section 39, Article III, Texas Constitution. If this  
2-3 Act does not receive the vote necessary for immediate effect, this  
2-4 Act takes effect September 1, 2009.

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