

By: Hancock

H.B. No. 2570

Substitute the following for H.B. No. 2570:

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C.S.H.B. No. 2570

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of stipulated premium insurance companies.

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

SECTION 1. Sections 884.054(a) and (c), Insurance Code, are amended to read as follows:

(a) A proposed stipulated premium company's capital stock must be in an amount of at least \$25,000 [~~\$15,000~~].

(c) To be incorporated, a stipulated premium company must possess at the time of incorporation, in addition to its capital, surplus in an amount of at least \$12,500 [~~\$7,500~~]. The amount of the surplus is not required to be stated in the company's articles of incorporation.

SECTION 2. Section 884.303(b), Insurance Code, is amended to read as follows:

(b) A stipulated premium company may not insure one life under this section for more than \$25,000 [~~\$15,000~~], except as provided by Section 884.304 or Subchapter I.

SECTION 3. Section 884.304, Insurance Code, is amended to read as follows:

Sec. 884.304. LIFE INSURANCE OF MORE THAN \$25,000 [~~\$15,000~~]. (a) Except as provided by this section, a stipulated premium company may not assume liability on a life insurance risk on one life in an amount that exceeds \$25,000 [~~\$15,000~~].

1 (b) If a stipulated premium company assumes a life insurance  
2 risk under a life insurance policy, the initial death benefit of  
3 \$25,000 [~~\$15,000~~] or less may increase to an amount greater than  
4 \$25,000 [~~\$15,000~~] subject to this section.

5 (c) For each policy year of a policy for which, after  
6 issuance, the death benefit exceeds \$25,000 [~~\$15,000~~], the amount  
7 of the increase of the death benefit at the end of that policy year  
8 from the end of the preceding policy year may not exceed the greater  
9 of:

10 (1) the amount computed using the maximum rate of  
11 increase provided by the policy, which rate may not exceed five  
12 percent a year, compounded annually; or

13 (2) the amount computed using the consumer price index  
14 for all urban consumers for all items and for all regions of the  
15 United States combined, as determined by the United States  
16 Department of Labor, Bureau of Labor Statistics, on September 30 of  
17 the year preceding the year in which the policy year ends,  
18 compounded annually.

19 SECTION 4. Section 884.404(a), Insurance Code, is amended  
20 to read as follows:

21 (a) A stipulated premium company that issues any insurance  
22 coverage under this subchapter shall maintain at all times the  
23 capital and unencumbered surplus required under Section 884.054  
24 [~~when the stipulated premium company began writing the coverage~~].

25 SECTION 5. Section 4054.051, Insurance Code, is amended to  
26 read as follows:

27 Sec. 4054.051. LICENSE REQUIRED. Except as provided by

1 Subchapter G, a person is required to hold a general life, accident,  
2 and health license if the person acts as:

3 (1) an agent who represents a health maintenance  
4 organization;

5 (2) an industrial life insurance agent for an insurer  
6 that writes only weekly premium life insurance on a debit basis  
7 under Chapter 1151;

8 (3) an agent who writes life, accident, and health  
9 insurance for a life insurance company;

10 (4) an agent who writes only accident and health  
11 insurance;

12 (5) an agent who writes fixed or variable annuity  
13 contracts or variable life contracts;

14 (6) an agent who writes for a stipulated premium  
15 company:

16 (A) only life insurance in excess of \$25,000  
17 [~~\$15,000~~] on any one life;

18 (B) only accident and health insurance; or

19 (C) both kinds of insurance described by  
20 Paragraphs (A) and (B);

21 (7) an agent who writes life, accident, and health  
22 insurance for any type of authorized life insurance company that is  
23 domiciled in this state, including a legal reserve life insurance  
24 company, and who represents the company:

25 (A) in a foreign country or territory; and

26 (B) on a United States military installation or  
27 with United States military personnel;

1           (8) an agent who writes life, accident, and health  
2 insurance for a fraternal benefit society except as provided by  
3 Section 885.352; or

4           (9) an agent who writes any other kind of insurance as  
5 required by the commissioner for the protection of the insurance  
6 consumers of this state.

7           SECTION 6. The heading to Subchapter E, Chapter 4054,  
8 Insurance Code, is amended to read as follows:

9                       SUBCHAPTER E. LIFE INSURANCE NOT

10                      EXCEEDING \$25,000 [~~\$15,000~~]

11           SECTION 7. Section 4054.201(a), Insurance Code, is amended  
12 to read as follows:

13           (a) The department shall issue a license to an individual  
14 applicant to act as an agent who writes only life insurance policies  
15 in an amount that does not exceed \$25,000 [~~\$15,000~~] on any one life  
16 on receipt of certification from a stipulated premium company, a  
17 statewide mutual assessment company, a local mutual aid  
18 association, or a local mutual burial association, that the  
19 applicant has:

20                   (1) completed a course of study and instruction in  
21 compliance with this subchapter; and

22                   (2) passed without aid a written examination  
23 administered by the insurer.

24           SECTION 8. Section 4054.206, Insurance Code, is amended to  
25 read as follows:

26           Sec. 4054.206. LIMIT ON AGENT'S AUTHORITY. An insurance  
27 agent licensed under this subchapter may not write any coverage or

1 combination of coverages with an initial guaranteed death benefit  
2 that exceeds \$25,000 [~~\$15,000~~] on any life.

3 SECTION 9. Sections 4054.301(a) and (d), Insurance Code,  
4 are amended to read as follows:

5 (a) Except as provided by Subsection (b), a person is  
6 required to hold a life agent license if the person does not hold a  
7 general life, accident, and health license under Subchapter B and  
8 the person acts as:

9 (1) an agent who writes insurance coverage on human  
10 lives, including endowment benefits and annuities, benefits in the  
11 event of death or dismemberment by accident, and benefits for  
12 disability income;

13 (2) an industrial life insurance agent for an insurer  
14 that writes only weekly premium life insurance on a debit basis  
15 under Chapter 1151;

16 (3) an agent who writes fixed or variable annuity  
17 contracts or variable life contracts;

18 (4) an agent who writes for a stipulated premium  
19 company only life insurance in excess of \$25,000 [~~\$15,000~~] on any  
20 one life; or

21 (5) an agent who writes any other kind of insurance as  
22 required by the commissioner for the protection of the insurance  
23 consumers of this state.

24 (d) A person who holds a license to write life insurance not  
25 exceeding \$25,000 [~~\$15,000~~] under Subchapter E and who engages in  
26 the business of insurance only within the scope of that license is  
27 not required to hold a life agent license. A person who holds a

1 life agent license may write the insurance described by that  
2 subchapter.

3       SECTION 10. A stipulated premium company shall increase its  
4 capital stock and surplus as required under Chapter 884, Insurance  
5 Code, as amended by this Act, not later than March 1, 2010, or  
6 another date prescribed by rule by the commissioner of insurance in  
7 connection with a reasonable schedule of intermediate increases  
8 adopted by the commissioner to provide for a phase-in of the changes  
9 in law made by this Act.

10       SECTION 11. This Act applies only to an insurance policy  
11 delivered, issued for delivery, or renewed on or after January 1,  
12 2010. A policy delivered, issued for delivery, or renewed before  
13 January 1, 2010, is governed by the law as it existed immediately  
14 before the effective date of this Act, and that law is continued in  
15 effect for that purpose.

16       SECTION 12. This Act takes effect September 1, 2009.