

By: Jackson

S.B. No. 1109

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. Subsections (a) and (c), Section 884.054, 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 \$200,000 [~~\$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 \$75,000 [~~\$7,500~~]. The amount of the surplus is not required to be stated in the company's articles of incorporation.

SECTION 2. Subsection (b), Section 884.202, Insurance Code, is amended to read as follows:

(b) Capital stock may be decreased to an amount that is less than \$200,000 [~~\$100,000~~] only to avoid insolvency as provided by Section 884.205 [~~and may never be decreased to an amount that is less than the minimum amount of paid-up stock required by Section 884.054~~].

SECTION 3. Subsection (a), Section 884.205, Insurance Code, is amended to read as follows:

(a) If, when computing the liabilities of a stipulated premium company under this chapter, one-third or more of the

1 company's capital stock becomes impaired, the company shall correct
2 the impairment not later than the 60th day after the date the
3 company becomes subject to this subsection by:

4 (1) reducing the company's capital stock [~~subject to~~
5 ~~the limitation provided by Section 884.202(b)~~];

6 (2) adjusting the premium rate if permitted by policy
7 contract; or

8 (3) both reducing capital stock and adjusting the
9 premium rate.

10 SECTION 4. Subsection (b), Section 884.303, Insurance Code,
11 is amended to read as follows:

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

15 SECTION 5. Section 884.304, Insurance Code, is amended to
16 read as follows:

17 Sec. 884.304. LIFE INSURANCE OF MORE THAN \$25,000
18 [~~\$15,000~~]. (a) Except as provided by this section, a stipulated
19 premium company may not assume liability on a life insurance risk on
20 one life in an amount that exceeds \$25,000 [~~\$15,000~~].

21 (b) If a stipulated premium company assumes a life insurance
22 risk under a life insurance policy, the initial death benefit of
23 \$25,000 [~~\$15,000~~] or less may increase to an amount greater than
24 \$25,000 [~~\$15,000~~] subject to this section.

25 (c) For each policy year of a policy for which, after
26 issuance, the death benefit exceeds \$25,000 [~~\$15,000~~], the amount
27 of the increase of the death benefit at the end of that policy year

1 from the end of the preceding policy year may not exceed the greater
2 of:

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

6 (2) the amount computed using the consumer price index
7 for all urban consumers for all items and for all regions of the
8 United States combined, as determined by the United States
9 Department of Labor, Bureau of Labor Statistics, on September 30 of
10 the year preceding the year in which the policy year ends,
11 compounded annually.

12 SECTION 6. Subsection (a), Section 884.404, Insurance Code,
13 is amended to read as follows:

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

18 SECTION 7. Section 4054.051, Insurance Code, is amended to
19 read as follows:

20 Sec. 4054.051. LICENSE REQUIRED. Except as provided by
21 Subchapter G, a person is required to hold a general life, accident,
22 and health license if the person acts as:

23 (1) an agent who represents a health maintenance
24 organization;

25 (2) an industrial life insurance agent for an insurer
26 that writes only weekly premium life insurance on a debit basis
27 under Chapter 1151;

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

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

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

7 (6) an agent who writes for a stipulated premium
8 company:

9 (A) only life insurance in excess of \$25,000
10 [~~\$15,000~~] on any one life;

11 (B) only accident and health insurance; or

12 (C) both kinds of insurance described by
13 Paragraphs (A) and (B);

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

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

19 (B) on a United States military installation or
20 with United States military personnel;

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

24 (9) an agent who writes any other kind of insurance as
25 required by the commissioner for the protection of the insurance
26 consumers of this state.

27 SECTION 8. The heading to Subchapter E, Chapter 4054,

Insurance Code, is amended to read as follows:

SUBCHAPTER E. LIFE INSURANCE NOT

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

SECTION 9. Subsection (a), Section 4054.201, Insurance Code, is amended to read as follows:

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

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

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

SECTION 10. Section 4054.206, Insurance Code, is amended to read as follows:

Sec. 4054.206. LIMIT ON AGENT'S AUTHORITY. An insurance agent licensed under this subchapter may not write any coverage or combination of coverages with an initial guaranteed death benefit that exceeds \$25,000 [~~\$15,000~~] on any life.

SECTION 11. Subsections (a) and (d), Section 4054.301, Insurance Code, are amended to read as follows:

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

the person acts as:

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

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

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

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

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

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

SECTION 12. A stipulated premium company shall increase its capital stock and surplus as required under Chapter 884, Insurance Code, as amended by this Act, not later than a 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 10-year phase-in of the changes in law

1 made by this Act.

2 SECTION 13. This Act applies only to an insurance policy
3 delivered, issued for delivery, or renewed on or after January 1,
4 2010. A policy delivered, issued for delivery, or renewed before
5 January 1, 2010, is governed by the law as it existed immediately
6 before the effective date of this Act, and that law is continued in
7 effect for that purpose.

8 SECTION 14. This Act takes effect September 1, 2009.