

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Hancock

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~~].

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

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

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

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

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

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

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

Sec. 4054.051. LICENSE REQUIRED. Except as provided by

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

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

(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 life, accident, and health insurance for a life insurance company;

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

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

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

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

(B) only accident and health insurance; or

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

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

(A) in a foreign country or territory; and

(B) on a United States military installation or 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.

ADOPTED

MAY 23 2009

*Letay Shaw*  
Secretary of the Senate

By: *Jackson*

H.B. No. 2870

Substitute the following for \_\_.B. No. \_\_\_\_:

By: *Tran*

C.S. \_\_.B. No. \_\_\_\_

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the regulation of stipulated premium insurance  
3 companies.

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

5 SECTION 1. Subsections (a) and (c), Section 884.054,  
6 Insurance Code, are amended to read as follows:

7 (a) A proposed stipulated premium company's capital stock  
8 must be in an amount of at least \$200,000 [~~\$15,000~~].

9 (c) To be incorporated, a stipulated premium company must  
10 possess at the time of incorporation, in addition to its capital,  
11 surplus in an amount of at least \$75,000 [~~\$7,500~~]. The amount of  
12 the surplus is not required to be stated in the company's articles  
13 of incorporation.

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

16 (b) Capital stock may be decreased to an amount that is less  
17 than \$200,000 [~~\$100,000~~] only to avoid insolvency as provided by  
18 Section 884.205 [~~and may never be decreased to an amount that is~~  
19 ~~less than the minimum amount of paid-up stock required by Section~~  
20 ~~884.054~~].

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

23 (a) If, when computing the liabilities of a stipulated  
24 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,

1 Insurance Code, is amended to read as follows:

2 SUBCHAPTER E. LIFE INSURANCE NOT

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

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

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

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

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

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

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

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

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

1 the person acts as:

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

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

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

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

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

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

22 SECTION 12. A stipulated premium company shall increase its  
23 capital stock and surplus as required under Chapter 884, Insurance  
24 Code, as amended by this Act, not later than a date prescribed by  
25 rule by the commissioner of insurance in connection with a  
26 reasonable schedule of intermediate increases adopted by the  
27 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.

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 28, 2009**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB2570** by Hancock (Relating to the regulation of stipulated premium insurance companies.), **As Passed 2nd House**

<b>No significant fiscal implication to the State is anticipated.</b>
---

The bill would amend the Insurance Code regarding the regulation of stipulated premium insurance companies. The Texas Department of Insurance indicates that it could absorb the costs associated with the bill within its current resources.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 454 Department of Insurance

**LBB Staff:** JOB, SZ, CH, KJG

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 13, 2009**

**TO:** Honorable Robert Duncan, Chair, Senate Committee on State Affairs

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB2570** by Hancock (Relating to the regulation of stipulated premium insurance companies.), **Committee Report 2nd House, Substituted**

<b>No significant fiscal implication to the State is anticipated.</b>
---

The bill would amend the Insurance Code regarding the regulation of stipulated premium insurance companies. The Texas Department of Insurance indicates that it could absorb the costs associated with the bill within its current resources.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 454 Department of Insurance

**LBB Staff:** JOB, CH, KJG

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 5, 2009**

**TO:** Honorable Robert Duncan, Chair, Senate Committee on State Affairs

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB2570** by Hancock (Relating to the regulation of stipulated premium insurance companies.), **As Engrossed**

<b>No significant fiscal implication to the State is anticipated.</b>
---

The bill would amend the Insurance Code regarding the regulation of stipulated premium insurance companies. The Texas Department of Insurance indicates that it could absorb the costs associated with the bill within its current resources.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 454 Department of Insurance

**LBB Staff:** JOB, KJG, CH



**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 2, 2009**

**TO:** Honorable John T. Smithee, Chair, House Committee on Insurance

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB2570** by Hancock (Relating to the regulation of stipulated premium insurance companies.), **Committee Report 1st House, Substituted**

<b>No significant fiscal implication to the State is anticipated.</b>
---

The bill would amend the Insurance Code regarding the regulation of stipulated premium insurance companies. The Texas Department of Insurance indicates that it could absorb the costs associated with the bill within its current resources.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 454 Department of Insurance

**LBB Staff:** JOB, KJG, CH

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 22, 2009**

**TO:** Honorable John T. Smithee, Chair, House Committee on Insurance

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB2570** by Hancock (Relating to the regulation of stipulated premium insurance companies.), **As Introduced**

<b>No significant fiscal implication to the State is anticipated.</b>
---

The bill would amend the Insurance Code regarding the regulation of stipulated premium insurance companies. The Texas Department of Insurance indicates that it could absorb the costs associated with the bill within its current resources.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 454 Department of Insurance

**LBB Staff:** JOB, KJG, CH