

By: Christian

H.B. No. 986

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to certain amounts payable by the Texas Life, Accident,  
3 Health, and Hospital Service Insurance Guaranty Association.

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

5 SECTION 1. Section 463.204, Insurance Code, is amended to  
6 read as follows:

7 Sec. 463.204. OBLIGATIONS EXCLUDED. A contractual  
8 obligation does not include:

9 (1) death benefits in an amount in excess of \$300,000  
10 or a net cash surrender or net cash withdrawal value in an amount in  
11 excess of \$250,000 [~~\$100,000~~] under one or more policies on a single  
12 life;

13 (2) an amount in excess of:

14 (A) \$250,000 [~~\$100,000~~] in the present value  
15 under one or more annuity contracts issued with respect to a single  
16 life under individual annuity policies or group annuity policies;  
17 or

18 (B) \$5 million in unallocated annuity contract  
19 benefits with respect to a single contract owner regardless of the  
20 number of those contracts;

21 (3) an amount in excess of the following amounts,  
22 including any net cash surrender or cash withdrawal values, under  
23 one or more accident, health, accident and health, or long-term  
24 care insurance policies on a single life:

1 (A) \$500,000 for basic hospital,  
2 medical-surgical, or major medical insurance, as those terms are  
3 defined by this code or rules adopted by the commissioner;

4 (B) \$300,000 for disability and long-term care  
5 insurance, as those terms are defined by this code or rules adopted  
6 by the commissioner; or

7 (C) \$200,000 for coverages that are not defined  
8 as basic hospital, medical-surgical, major medical, disability, or  
9 long-term care insurance;

10 (4) an amount in excess of \$250,000 [~~\$100,000~~] in  
11 present value annuity benefits, in the aggregate, including any net  
12 cash surrender and net cash withdrawal values, with respect to each  
13 individual participating in a governmental retirement benefit plan  
14 established under Section 401, 403(b), or 457, Internal Revenue  
15 Code of 1986 (26 U.S.C. Sections 401, 403(b), and 457), covered by  
16 an unallocated annuity contract or the beneficiary or beneficiaries  
17 of the individual if the individual is deceased;

18 (5) an amount in excess of \$250,000 [~~\$100,000~~] in  
19 present value annuity benefits, in the aggregate, including any net  
20 cash surrender and net cash withdrawal values, with respect to each  
21 payee of a structured settlement annuity or the beneficiary or  
22 beneficiaries of the payee if the payee is deceased;

23 (6) aggregate benefits in an amount in excess of  
24 \$300,000 with respect to a single life, except with respect to:

25 (A) benefits paid under basic hospital,  
26 medical-surgical, or major medical insurance policies, described  
27 by Subdivision (3)(A), in which case the aggregate benefits are

1 \$500,000; and

2 (B) benefits paid to one owner of multiple  
3 nongroup policies of life insurance, whether the policy owner is an  
4 individual, firm, corporation, or other person, and whether the  
5 persons insured are officers, managers, employees, or other  
6 persons, in which case the maximum benefits are \$5 million  
7 regardless of the number of policies and contracts held by the  
8 owner;

9 (7) an amount in excess of \$5 million in benefits, with  
10 respect to either one plan sponsor whose plans own directly or in  
11 trust one or more unallocated annuity contracts not included in  
12 Subdivision (4) irrespective of the number of contracts with  
13 respect to the contract owner or plan sponsor or one contract owner  
14 provided coverage under Section 463.201(a)(3)(B), except that, if  
15 one or more unallocated annuity contracts are covered contracts  
16 under this chapter and are owned by a trust or other entity for the  
17 benefit of two or more plan sponsors, coverage shall be afforded by  
18 the association if the largest interest in the trust or entity  
19 owning the contract or contracts is held by a plan sponsor whose  
20 principal place of business is in this state, and in no event shall  
21 the association be obligated to cover more than \$5 million in  
22 benefits with respect to all these unallocated contracts;

23 (8) any contractual obligations of the insolvent or  
24 impaired insurer under a covered policy or contract that do not  
25 materially affect the economic value of economic benefits of the  
26 covered policy or contract; or

27 (9) punitive, exemplary, extracontractual, or bad

1 faith damages, regardless of whether the damages are:

2 (A) agreed to or assumed by an insurer or  
3 insured; or

4 (B) imposed by a court.

5 SECTION 2. The change in law made by this Act applies only  
6 to an insurer that first becomes an impaired or insolvent insurer on  
7 or after the effective date of this Act. An insurer that becomes an  
8 impaired or insolvent insurer before the effective date of this Act  
9 is governed by the law as it existed immediately before that date,  
10 and that law is continued in effect for that purpose.

11 SECTION 3. This Act takes effect September 1, 2011.