

By: Eiland

H.B. No. 2281

A BILL TO BE ENTITLED

AN ACT

relating to disclosures to life insurance policy owners

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

SECTION 1. Subtitle B, Title 5, Insurance Code, is amended by adding Chapter 525 to read as follows:

CHAPTER 525. LIFE INSURANCE CONSUMER DISCLOSURE ACT

Sec. 525.001. SHORT TITLE. This Act may be cited as the Life Insurance Consumer Disclosure Act.

Sec. 525.002. DEFINITIONS. In this chapter:

(1) "Insured" means a consumer who purchased a policy from an insurer.

(2) "Insurer" means the insurance company that issued the policy.

(3) "Person" means an individual, corporation, trust, partnership, association, or any other legal entity.

(4) "Policy" means an individual life insurance policy owned by a person who is a resident of this state regardless of whether the policy is issued, delivered, or renewed in this state.

(5) "Policy owner" means the owner of a policy.

Sec. 525.003. NOTICE TO POLICY OWNER REQUIRED. (a) An insurer shall provide the written notice required by Subsection (b) to a policy owner if the insured is at least 60 years old or if the insurer has actual knowledge that the insured is terminally or chronically ill, and if:

1           (1) the policy owner requests:

2                   (A) the surrender, wholly or partly, of a policy;

3 or

4                   (B) an accelerated death benefit under a policy;

5           (2) the insurer sends notice to the policy owner that  
6 the policy may lapse; or

7           (3) another circumstance occurs and the commissioner  
8 has prescribed by rule that an insurer must send the notice under  
9 this chapter in that circumstance.

10           (b) The commissioner by rule shall adopt or approve forms to  
11 be used for notices under this chapter to inform a policy owner of:

12                   (1) alternatives to the lapse or surrender of a  
13 policy; and

14                   (2) the policy owner's rights related to the  
15 disposition of a policy.

16           (c) The written notice must be developed at no cost to  
17 insurers or other license holders and must be written in simple,  
18 nontechnical language.

19           (d) The written notice must contain:

20                   (1) a statement explaining that life insurance is a  
21 critical part of a broader financial plan;

22                   (2) a statement explaining that there are alternatives  
23 to the lapse or surrender of a policy;

24                   (3) a general description of the following  
25 alternatives to the lapse or surrender of a policy:

26                           (A) accelerated death benefits available under  
27 the policy or as a rider to the policy;

1           (B) the assignment of the policy as a gift;

2           (C) the sale of the policy under a life  
3 settlement contract, including a life settlement under Chapter  
4 1111;

5           (D) the replacement of the policy under Chapter  
6 1114;

7           (E) the maintenance of the policy under the terms  
8 of the policy or a rider to the policy or through a life settlement  
9 contract;

10           (F) the maintenance of the policy through a loan  
11 issued by an insurer or a third party, using the policy or the cash  
12 surrender value of the policy as collateral for the loan;

13           (G) conversion of the policy from a term policy  
14 to a permanent policy; and

15           (H) conversion of the policy to obtain long-term  
16 care health insurance coverage or a long-term care benefit plan;  
17 and

18           (4) a statement explaining that life insurance, life  
19 settlements, or other alternatives to the lapse or surrender of the  
20 policy described in the notice may be available to a particular  
21 policy owner depending on a number of circumstances, including the  
22 age and health status of the insured or the terms of a life  
23 insurance policy, and that policy owners should contact their  
24 financial advisor, insurance agent, broker, or attorney to obtain  
25 further advice and assistance.

26           Sec. 525.004. PENALTIES. A violation of Section 525.003(a)  
27 is an unfair or deceptive act or practice in the business of

1 insurance subject to sanctions and penalties under Chapter 541.

2 SECTION 2. An insurer is not required to provide a notice  
3 under Chapter 525, Insurance Code, as added by this Act, before  
4 September 1, 2011.

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