

## **BILL ANALYSIS**

Senate Research Center  
88R5919 CJD-F

H.B. 1587  
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Business & Commerce  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

When a life insurance company participates in a pension buyout, many employers seek to use separate accounts to separate the pension obligations from the insurer's normal operations. The creation of this separate account must meet the strict state regulatory scrutiny of the insurance regulator in the state in which the company is domiciled. When this occurs, the separate account essentially functions as a separate investment company within the insurer's operations. This protects the pension's assets and guarantee future benefit payments to plan participants. In addition to the state oversight, a pension contract buyout between a large employer and a life insurer must also comply with federal regulations. Specifically, U.S. Department of Labor regulations include a requirement that the plan fiduciary select the "safest available annuity" for it to satisfy its fiduciary duty and plan liabilities. This requirement leads fiduciaries to selecting only the strongest, most experienced insurers.

Under current law, once the parties finalize the negotiated forms, they must file these forms for approval by the Texas Department of Insurance. This process is cumbersome and often can discourage or delay the ability of large employers and insurers to implement these much-needed programs. Certain procedures in place have caused significant problems for insurers seeking to service this important market to assure retirement benefits continue for existing and retired employees of various plans. H.B. 1587 seeks to modernize the state's regulatory approach to the use by insurance companies of separate accounts in connection with life insurance and annuities to ease these burdens.

#### Key Provisions:

- H.B. 1587 amends the Insurance Code to exempt from the policy form filing and approval requirements under applicable state law any group annuity policy, certificate, or contract written or issued by an insurer authorized to engage in the business of insurance in Texas that involves use of a separate account if benefits would also have guarantees from an insurer's general account.

#### Support

- Texas Association of Life & Health Insurers (TALHI)

H.B. 1587 amends current law relating to the use by insurance companies of separate accounts in connection with life insurance and annuities and certain other benefits.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Provides that the legislature declares the intent of this Act is to be consistent with:

- (1) uniform laws of the various states in which the approval of a separate account and of the investments and reserves in a separate account is performed by the domiciliary state; and

(2) recent legislative enactments designed to modernize insurance regulation by exempting certain large commercial-type policy forms from regulatory filing and approval.

SECTION 2. Amends Section 1152.055, Insurance Code, as follows:

Sec. 1152.055. GUARANTEED BENEFITS AND MONEY RESTRICTION FOR SEPARATE ACCOUNTS. Prohibits a domestic insurance company, rather than an insurance company, from maintaining a reserve for a benefit guaranteed as to dollar amount and duration or funds guaranteed as to principal amount or stated rate of interest in a separate account except with the commissioner of insurance's approval and under conditions for investments, and other matters, that recognize the guaranteed nature of the benefits provided and that are prescribed by the Texas Department of Insurance.

SECTION 3. Amends Subchapter A, Chapter 1701, Insurance Code, by adding Section 1701.006, as follows:

Sec. 1701.006. EXEMPTION FOR CERTAIN GROUP ANNUITY TRANSACTIONS.  
(a) Provides that the filing and approval requirements in Chapter 1701 (Policy Forms) do not apply to any group annuity policy, certificate, or contract written or issued by an insurer authorized to engage in the business of insurance in this state that involves use of a separate account if benefits would also have guarantees from an insurer's general account.

(b) Provides that, for the purposes of this section, a group annuity policy, certificate, or contract, includes a single premium group annuity policy, certificate, or contract that is negotiated between an insurer and an applicable group or plan sponsor.

SECTION 4. Effective date: upon passage or September 1, 2023.