

BILL ANALYSIS

H.B. 1587
By: Oliverson
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

When a life insurance company participates in a pension buyout, many employers seek the use of separate accounts to separate the pension obligations from the insurer's normal operations. The creation of this separate account must meet 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 is done to protect 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 these negotiated forms have been finalized between the parties, they must then be filed for approval with 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 can be continued 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.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

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. For purposes of this exemption, 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.

H.B. 1587 specifies that the restrictions on the ability of an insurance company to maintain 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 apply only with respect to domestic insurance companies.

H.B. 1587 establishes that it is the legislature's intent that the bill is consistent with:

- 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
- recent legislative enactments designed to modernize insurance regulation by exempting certain large commercial-type policies from regulatory filing and approval.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2023.