

BILL ANALYSIS

Senate Research Center

H.B. 1356
By: Counts (Haywood)
Economic Development
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Engrossed

DIGEST

The issuance of permits to sell prearranged funeral contracts and related matters are strictly regulated by the Department of Banking. Current law lists two alternatives for investment of purchaser-paid funds and earnings thereon: (1) a life insurance policy or annuity contract approved by the Texas Department of Insurance and issued by an insurance company licensed in Texas, or (2) a "trust" account consisting of deposits with a bank, savings and loan, or trust company.

This bill would allow insurers that issue life or annuity coverage under regulated prepaid funeral contracts to simplify the licensing of agents who write insurance only in the funeral prearrangement market. The bill would also allow an insurer to administer its own instruction and licensing examination under a program approved by the commissioner of insurance but subject to the commissioner's discretionary withdrawal.

PURPOSE

As proposed, H.B. 1356 sets forth provisions regarding the licensing of funeral prearrangement life insurance agents and to accelerated life insurance benefits.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the commission of insurance in SECTION 2 (Article 3.50-6(c), Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 21.07-1, V.T.C.S., by adding Section 5A, as follows:

Sec. 5A. FUNERAL PREARRANGEMENT LIFE INSURANCE AGENT. (a) Defines "funeral prearrangement life insurance agent."

(b) Requires the commissioner of insurance (commissioner) to issue a limited purpose license to act as a funeral prearrangement life insurance agent for an authorized legal reserve life insurance company to an applicant other than a partnership or corporation after receiving certification from the insurance company that the applicant has completed a course of study and instruction offered by the insurance company and passed without aid a written examination administered by the insurance company.

(c) Requires the commissioner to authorize a legal reserve life insurance company to administer a funeral prearrangement life insurance examination after the commissioner approves for the insurance company a complete outline and explanation of the course of study and instruction on life insurance and fixed annuities for applicants and the nature and manner of conducting the examination for applicants. Requires the commissioner, on or before September 1, 1997, to promulgate a uniform examination for applicants fairly addressing the information contained in the approved course of study and instruction.

(d) Requires the course of study and instruction to be for five hours and to include instruction on both the policies to be sold and the law relating to funeral prearrangement.

(e) Authorizes the commissioner to investigate as necessary the manner and method of instruction and examination of each authorized legal reserve life insurance company. Authorizes the commissioner at the commissioner's discretion to withdraw from an insurance company the authority to offer instruction and administer an examination.

(f) Sets forth prohibitions for a funeral prearrangement life insurance agent licensed under this section.

(g) Requires the commissioner to stamp "FUNERAL PREARRANGEMENT LIFE INSURANCE AGENT LICENSE" on a license issued under this section.

(h) Sets forth provisions regarding expiration of a license issued under this section.

(i) Provides that an applicant for or holder of a license issued under this section is not subject to the requirements of this article, other than the requirements of Sections 5A and 12.

SECTION 2. Amends Article 3.50-6, Insurance Code, as follows:

Art. 3.50-6. New heading: PAYMENT OF ACCELERATED LIFE INSURANCE BENEFITS. Defines "long-term care illness," "specified disease," and "terminal illness." Authorizes an insurance company to pay an accelerated benefit under an individual or group term life insurance to pay an accelerated benefit under an individual or group life insurance policy or certificate under certain conditions. Authorizes the commissioner to adopt rules to implement this article.

SECTION 3. Makes application of this Act prospective to September 1, 1997.

SECTION 4. Emergency clause.
Effective date: upon passage.