

BILL ANALYSIS

Senate Research Center

H.B. 2221
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Economic Development
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Engrossed

DIGEST

Currently, the Insurance Code authorizes stipulated premium companies to assume liability on a life insurance risk on any one life under certain conditions. Group II agents, who are not required to take an examination or meet continuing education requirements may be licensed to sell life insurance policies in the amount of \$7,500 or less. These policies are not marketed in sophisticated ways like life insurance policies, and are simply for the funding of a funeral and the payment of debts of an insured at the time of death. H.B. 2221 would increase the amount of life insurance policies sold by stipulated premium companies to \$10,000, and would require companies to reinsure the insurance amount exceeding \$10,000 on a life insurance risk.

PURPOSE

As proposed, H.B. 2221 establishes limitations on the amount of life insurance risk that may be written by certain agents of or assumed by a stipulated premium insurance company.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 3, Article 21.07, Insurance Code, to require the commissioner of insurance, rather than the State Board of Insurance, to issue a license to a person or corporation in such form as the Texas Department of Insurance may prepare authorizing such applicant to write the types of insurance authorized by law to be issued by applicant's appointing insurance carrier, except that such applicant, if not a partnership or corporation, is prohibited from being authorized to write life insurance in excess of \$10,000, rather than \$7,5000, upon any one life, with certain exceptions.

SECTION 2. Amends Section 4A, Article 21.07, Insurance Code, as follows:

Sec. 4A. New heading: EXAMINATION OF APPLICANT FOR LICENSE TO WRITE LIFE INSURANCE UPON ANY ONE LIFE IN EXCESS OF \$10,000. Makes conforming changes.

SECTION 3. Amends Article 21.07, Insurance Code, by adding Section 15A, as follows:

Sec. 15A. CERTAIN AGENTS FOR STIPULATED PREMIUM COMPANIES. Provides that a person or corporation that holds a license issued under Article 21.07-1, Insurance Code, is entitled to write life insurance under that license for a stipulated premium company without obtaining a license under this article. Authorizes a stipulated premium company to appoint as its agent a person or corporation that holds a license under Article 21.07-1, Insurance Code.

SECTION 4. Amends Article 22.07, Insurance Code, by adding Section 3, as follows:

Sec. 3. Provides that if the surplus of a stipulated premium company is at least \$50,000 but less than \$200,000, the stipulated premium company is required to reinsure the insurance amount that exceeds \$10,000 on a life insurance risk on any one life.

SECTION 5. Amends Section 1(b), Article 22.13, Insurance Code, to provide that if a stipulated premium company assumes a life insurance risk under the life insurance policy, the initial death benefit may increase to a certain amount. Prohibits the death benefit, for a policy in which the death benefit subsequent to issuance exceeds a certain amount, from exceeding a certain amount at the end of each policy year. Provides that the maximum increase that may be specified in a life insurance policy subject to this article is five percent, compounded annually. Provides that for the purposes of this subsection, the CPI-U for a given calendar year is the consumer price index for all urban consumers for all items and for all regions of the United States, combined as determined by certain entities on a set date. Makes conforming changes.

SECTION 6. Amends Article 22.23(a), Insurance Code, to authorize each stipulated premium company possessing capital and unencumbered surplus of a certain amount to issue policies of life insurance, provided that no individual life shall be insured for more than \$10,000, except as provided by Section 1(b), Article 22.13 or Article 22.23A of this code.

SECTION 7. (a) Effective date: September 1, 1997.

Makes application of this Act prospective.

(b) Provides that an insurance policy is considered renewed on the date that the policyholder makes a payment of a premium on the policy.

SECTION 8. Emergency clause.