

## **BILL ANALYSIS**

Senate Research Center  
78R15482 AJA-F

C.S.S.B. 137  
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State Affairs  
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Committee Report (Substituted)

### **DIGEST AND PURPOSE**

Since 1999, corporate-owned life insurance (COLI) policies have been legal in Texas. A COLI is a life insurance policy on an employee in which the beneficiary is the employer. There are no standards in current law for disclosure by the employer of, and consent by the employee to, a COLI policy. C.S.S.B. 137 regulates COLI policies in Texas and provides guidelines for employee notification and consent.

### **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. Amends Section 1103.003, Insurance Code, as effective June 1, 2003, to authorize a corporation, a joint stock association, or a trust estate engaging in business for profit to be designated as a beneficiary in a policy that insures the life of a director of the corporation, joint stock association, or trust estate.

SECTION 2. Amends Subchapter B, Chapter 1103, Insurance Code, as effective June 1, 2003, by adding Section 1103.057, as follows:

Sec. 1103.057. CERTAIN LIFE INSURANCE POLICIES INSURING EMPLOYEES.

(a) Prohibits an individual, except as provided by Subsection (b), whose life is insured under a life insurance policy from designating or consenting to the designation of an individual, partnership, association, corporation, or other legal entity that is the individual's employer as a beneficiary of the policy.

(b) Authorizes an individual to designate a legal entity that is the individual's employer as a beneficiary of a life insurance policy under which the individual's life is insured if the employer complies with Subsection (c) and is an individual who is related by blood or marriage to the individual insured under the policy, or if certain other circumstances apply.

(c) Requires an employer designated as a beneficiary of a life insurance policy on the life of an employee under Subsection (b) to notify, advise, and obtain consent of the employee, following certain guidelines.

(d) Prohibits an employer from making consent under Subsection (c)(3) a condition of employment, or retaliating against an employee for refusing to provide the consent.

(e) Prohibits an insurer from issuing a policy or certificate to an employer insuring the life of an employee of that employer under Subsection (c) unless the insurer receives the employee's written consent that complies with Subsection (c)(3).

(f) Provides that benefits of a life insurance policy for which consent was not obtained as required by Subsection (c) or for which consent was coerced in violation of Subsection (d) are not payable to the employer and are payable instead to the estate of the deceased insured.

(g) Authorizes a person or the estate of a person who has sustained damages as a result of an action of an employer or former employer in violation of this section to maintain a civil action to recover the damages against the employer or former employer in district court.

SECTION 3. Amends Section 1131.703(b), Insurance Code, as effective June 1, 2003, to require the insurer, in addition to satisfying the requirements of Article 3.42 of this code, to certify to the commissioner of insurance that the policy complies with Section 1103.057(e). Requires the insurer to submit a sworn affidavit executed by the employer and, in the case of a corporate employer, an officer of the corporation, certifying that the group insurance plan complies with Sections 1103.057(c) and (d).

SECTION 4. Repealer: Section 1103.056 (Purchase of or Application for Policy by Third Party), Insurance Code.

SECTION 5. Effective date: September 1, 2003.  
Makes application of this Act prospective.