

BILL ANALYSIS

Senate Research Center
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S.B. 1622
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DIGEST AND PURPOSE

Some insurers sometimes sell multiple small policies to the same individual. There are agents' commissions and servicing costs for each policy. As proposed, S.B. 1622 requires insurers selling policies less than \$2,000 to offer an option to the policyholder, over the life of the policy, to increase the death benefit up to \$15,000. This bill also prohibits an insurer from issuing another life insurance policy of \$2,000 or less to the same insured.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 1101.204, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 1101, Insurance Code, as effective June 1, 2003, by adding Subchapter E, as follows:

SUBCHAPTER E. CERTAIN POLICIES WITH SMALL FACE VALUE

Sec. 1101.201. **APPLICABILITY.** (a) Provides that this subchapter applies to each insurer authorized to write life insurance under Chapter 841 (Life, Health, or Accident Insurance Companies), 882 (Statewide Mutual Assessment Companies), 884 (Stipulated Premium Insurance Companies), or 982 (Foreign and Alien Insurance Companies). Provides that this subchapter does not apply to an insurer operating under Chapter 881 (Mutual Life Insurance Companies), 885 (Fraternal Benefit Societies), 886 (Local Mutual Aid Associations), 887(Provisions Applicable to Certain Mutual Assessment Companies), or 888 (Burial Associations) or an insurer exempt under Section 887.102.

(b) Provides that this subchapter applies to any individual or group life insurance policy, other than a term life insurance policy, issued in this state, including an industrial insurance policy offered under Chapter 1151 (Industrial Life Insurance).

Sec. 1101.202. **REQUIRED INCREASE IN DEATH BENEFIT.** (a) Requires a life insurance policy that provides a death benefit of \$2,000 or less to include an option for the insured to increase the death benefit to not more than \$15,000.

(b) Requires the insurer to provide the additional death benefit required by this section without evidence of insurability and at the insurer's current applicable rates for issuance of a new policy to the insured at the insured's age at the time the option is exercised.

(c) Prohibits the exercise of an option under Subsection (a) from resulting in a reduction of the cash value of the life insurance policy.

Sec. 1101.203. **PROHIBITION.** Prohibits an insurer that issues a life insurance policy that provides a death benefit of \$2,000 or less and that includes the option to increase coverage required by Section 1101.202 from issuing a subsequent life insurance policy that provides a death benefit of \$2,000 or less to the same insured.

Sec. 1101.204. RULES. Authorizes the commissioner of insurance to adopt rules as necessary to implement this subchapter.

SECTION 2. Effective date: September 1, 2003.

Makes application of this Act prospective to January 1, 2004.