

BILL ANALYSIS

Senate Research Center
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S.B. 11
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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. As proposed, S.B. 11 outlines COLI regulations, including informed consent and limits on the authorized amount of COLI coverage.

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, to include a director of a corporation in the list of persons for whom a corporation, a joint stock association, or for-profit trust estate is authorized to be designated as a beneficiary in a life insurance policy.

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

Sec. 1103.057. CERTAIN LIFE INSURANCE POLICIES INSURING EMPLOYEES.

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

(c) Requires an employer designated as a beneficiary of a life insurance policy on the life of an employee under Subsection (b) to notify the employee in writing that coverage is being obtained on the employee's life, specifying the minimum initial death benefit; to advise the employee of certain information regarding coverage; and to obtain the employee's written consent to the coverage, including the minimum initial death benefit.

(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 employer's certification that the employer has obtained 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 against the employer or former employer in district court to recover the damages.

SECTION 3. Amends Section 1131.703(b), Insurance Code, to require the insurer, in addition to satisfying the requirements of Article 3.42 (Policy Form Approval), to certify to the commissioner of insurance that the policy complies with Sections 1103.057(c) and (d). Requires the insurer to also maintain 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(b), (c), and (d). Deletes text referring to the requirement that an employer submit evidence of the purpose of the policy.

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

SECTION 5. Effective date: November 1, 2003.

Makes application of Sections 1103.003, 1131.703, Section 1103.057, and Section 1103.056, Insurance Code, prospective.