

BILL ANALYSIS

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C.S.H.B. 2570
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Stipulated premium insurance companies primarily sell life insurance policies that are used to fund pre-need funeral contracts. At the time the limit was set, most funerals did not cost \$15,000, however, companies are seeing contracts that are reaching the \$15,000 limit.

C.S.H.B. 2570 amends current law relating to the regulation of stipulated premium insurance companies.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 10 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 884.054(a) and (c), Insurance Code, as follows:

- (a) Requires that a proposed stipulated premium company's capital stock be in an amount of at least \$200,000, rather than \$15,000.
- (c) Requires a stipulated premium company, to be incorporated, to possess at the time of incorporation, in addition to its capital, surplus in an amount of at least \$75,000, rather than \$7,500.

SECTION 2. Amends Section 884.202(b), Insurance Code, to authorize capital stock to be decreased to an amount that is less than \$200,000, rather than \$100,000, only to avoid insolvency as provided by Section 884.205 (Impairment of Capital Stock), rather than and prohibits capital stock from ever being decreased to an amount that is less than the minimum amount of paid-up stock required by Section 884.054 (Capital Stock and Surplus Requirements).

SECTION 3. Amends Section 884.205(a), Insurance Code, to require a stipulated premium company, if, when computing the liabilities of the company under this chapter, one-third or more of the company's stock becomes impaired, to correct the impairment not later than the 60th day after the date the company becomes subject to this subsection by reducing the company's capital stock, rather than reducing the company's capital stock subject to the limitation provided by Section 884.202(b).

SECTION 4. Amends Section 884.303(b), Insurance Code, to prohibit a stipulated premium company from insuring one life under this section for more than \$25,000, rather than \$15,000, except as provided by Section 884.304 or Subchapter I (Authority to Issue Other Coverage).

SECTION 5. Amends Section 884.304, Insurance Code, as follows:

Sec. 884.304. New heading: LIFE INSURANCE OF MORE THAN \$25,000. (a) Prohibits stipulated premium company, except as provided by this section, from assuming liability on a life insurance risk on one life in an amount that exceeds \$25,000, rather than \$15,000.

(b) Provides that if a stipulated premium company assumes a life insurance risk under a life insurance policy, the initial death benefit of \$25,000, rather than

\$15,000, or less may increase to an amount greater than 25,000, rather than \$15,000, subject to this section.

(c) Provides that for each policy year of a policy for which, after issuance, the death benefit exceeds \$25,000, rather than \$15,000, the amount of the increase of the death benefit at the end of that policy year from the end of the preceding year is prohibited from exceeding the greater of two certain amounts.

SECTION 6. Amends Section 884.404(a), Insurance Code, to require a stipulated premium company that issues any insurance coverage under this subchapter to maintain at all times the capital and unencumbered surplus required under Section 884.054, rather than required when the stipulated premium company began writing the coverage.

SECTION 7. Amends Section 4054.051, Insurance Code, as follows:

Sec. 4054.051. LICENSE REQUIRED. Provides that except as provided by Subchapter G (Life Agent), a person is required to hold a general life, accident, and health license if the person acts as an agent who writes for a stipulated premium company only life insurance in excess of \$25,000, rather than \$15,000, on any one life.

SECTION 8. Amends the heading to Subchapter E, Chapter 4054, Insurance Code, to read as follows:

SUBCHAPTER E. LIFE INSURANCE NOT
EXCEEDING \$25,000

SECTION 9. Amends Section 4054.201(a), Insurance Code, to require the Texas Department of Insurance to issue a license to an individual applicant to act as an agent who writes only life insurance policies in an amount that does not exceed \$25,000, rather than \$15,000, on any one life of receipt of certification from certain entities.

SECTION 10. Amends Section 4054.206, Insurance Code, as follows:

Sec. 4054.206. LIMIT ON AGENT'S AUTHORITY. Prohibits an insurance agent licensed under this subchapter from writing any coverage or combination of coverages with an initial guaranteed death benefit that exceeds \$25,000, rather than \$15,000, on any life.

SECTION 11. Amends Sections 4054.301(a) and (d), Insurance Code, as follows:

(a) Provides that except as provided by Subsection (b) (relating to a person under certain conditions not being required to hold a life agent license), a person is required to hold a life agent license if the person does not hold a general life, accident, and health license under Subchapter B (General Life, Accident, and Health License) and the person acts as an agent who writes for a stipulated premium company only life insurance in excess of \$25,000, rather than \$15,000, on any one life.

(d) Provides that a person who holds a license to write life insurance not exceeding \$25,000, rather than \$15,000, under Subchapter E (Life Insurance Not Exceeding \$15,000) and who engages in the business of insurance only within the scope of that license is not required to hold a life agent license.

SECTION 12. Requires a stipulated premium company to increase its capital stock and surplus as required under Chapter 884, Insurance Code, as amended by this Act, not later than a date prescribed by rule by the commissioner of insurance in connection with a reasonable schedule of intermediate increases adopted by the commissioner to provide for a 10-year phase-in of the changes in law made by this Act.

SECTION 13. Makes application of this Act prospective to January 1, 2010.

SECTION 14. Effective date: September 1, 2009.