

BILL ANALYSIS

Senate Research Center

C.S.S.B. 1109
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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. Current law prohibits a stipulated premium company from insuring a life for more than \$15,000. At the time the limit was set, most funerals did not cost \$15,000. However, companies are starting to see contracts that are reaching the \$15,000 limit. Increasing the cap on pre-need funeral contracts to \$25,000 would allow for the growth in the cost of funerals, while still maintaining a modest limit on the amount of coverage allowed to be sold by stipulated premium companies.

C.S.S.B. 1109 increases maximum life insurance coverage permitted to be issued by stipulated premium companies from \$15,000 to \$25,000 and authorizes agents for stipulated premium companies to sell policies not to exceed \$25,000. The bill also modifies provisions relating to a proposed stipulated premium company's capital stock and surplus.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is modified in SECTION 12 of this bill.

SECTION BY SECTION ANALYSIS

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

- (a) Requires a proposed stipulated premium company's capital stock to 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 only to avoid insolvency as provided by Section 884.205. Deletes existing text relating to authorizing capital stock to be decreased to an amount that is less than \$100,000 only to avoid insolvency as provided by Section 884.205 (Impairment of Capital Stock) and prohibiting it from 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 delete existing text requiring the company, if, when computing the liabilities of a stipulated premium company under this chapter, one-third or more of the company's capital stock becomes impaired, to correct the impairment not later than the 60th day after the date the company became subject to this subsection by reducing the company's capital stock subject to the limitation provided by Section 884.202(b) (relating to authorizing capital stock to be decreased to an amount that is less than \$100,000 only to avoid insolvency and prohibiting it from being decreased to an amount that is less than the minimum amount of paid-up stock)

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. Makes conforming changes.

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, to require a person to hold a general life, accident, and health license, except as provided by Subchapter G (Life Agent), 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 make a conforming change.

SECTION 10. Amends Section 4054.206, Insurance Code, to make a conforming change.

SECTION 11. Amends Sections 4054.301(a) and (d), Insurance Code, to make conforming changes.

SECTION 12. Requires that a stipulated premium company increase its capital stock and surplus as required under Chapter 884 (Stipulated Premium Insurance Companies), Insurance Code, as amended by this Act, not later than a date prescribed by rule by the commissioner 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.