

BILL ANALYSIS

Senate Research Center

S.B. 1285
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

A life settlement is the sale by the owner of a life insurance policy to a third party for an amount greater than its cash surrender value and less than the death benefit. The seller of the policy receives a cash payment. The buyer of the policy assumes all future premiums payments and receives the death benefit upon the passing of the insured. Life settlements can help policyholders in difficult financial situations by generating resources to pay for living expenses, medical expenses, and long-term care needs. Policy owners receive a lump-sum payment that is several times greater than what they would receive if they surrendered the policy.

However, many life insurance policy owners are not aware of alternative options to the lapse or surrender of their policy, resulting in American seniors lapsing or surrendering billions of dollars in life insurance each year. One factor attributed to this unawareness is the concern by life insurance agents that insurers will retaliate against them for disclosing the life settlement option to policyholders.

S.B. 1285 addresses this issue by protecting life insurance agents from interference by insurers for disclosing life settlement options to life insurance policy owners.

As proposed, S.B. 1285 amends current law relating to certain information or assistance provided by life insurance agents to owners of life insurance policies.

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 Subchapter B, Chapter 541, Insurance Code, by adding Section 541.062, as follows:

Sec. 541.062. INTERFERENCE WITH LIFE INSURANCE AGENT PROHIBITED. (a) Provides that this section applies with respect to individual life insurance policies only.

(b) Provides that it is against the law and public policy of the State of Texas for any person or entity in the business of insurance to directly or indirectly interfere with the ability of a life insurance agent to inform a policy owner about certain information, assist a policy owner with securing discounted policy proceeds under or related to a life insurance policy, or, unless otherwise prohibited by law, act as a life settlement broker under Chapter 19.1111A for the policy owner.

(c) Provides that the remedies under this section do not include a private cause of action under Subchapter D (Private Action for Damages) or a class action under Subchapter F (Class Actions by Attorney General or Private Individual).

SECTION 2. Effective date: September 1, 2017.