By: Hancock H.B. No. 2570

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of stipulated premium insurance companies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Sections 884.054(a) and (c), Insurance Code, are amended to read as follows:

(a) A proposed stipulated premium company's capital stock must be in an amount of at least $25,000 [~~$15,000~~].

(c) To be incorporated, a stipulated premium company must possess at the time of incorporation, in addition to its capital, surplus in an amount of at least $12,500 [~~$7,500~~]. The amount of the surplus is not required to be stated in the company's articles of incorporation.

SECTION 2. Section 884.206(a), Insurance Code, is amended to read as follows:

(a) The commissioner by rule may require a stipulated premium company that writes or assumes life insurance, annuity contracts, or accident and health insurance for a risk to one person in an amount that exceeds $25,000 [~~$10,000~~] to maintain capital and surplus in amounts that exceed the minimum amounts required by this chapter because of:

(1) the nature and kind of risks the company underwrites or reinsures;

(2) the premium volume of risks the company

underwrites or reinsures;

(3) the composition, quality, duration, or liquidity of the company's investment portfolio;

(4) fluctuations in the market value of securities the company holds; or

(5) the adequacy of the company's reserves.

SECTION 3. Section 884.303(b), Insurance Code, is amended to read as follows:

(b) A stipulated premium company may not insure one life under this section for more than $25,000 [~~$15,000~~], except as provided by Section 884.304 or Subchapter I.

SECTION 4. Section 884.304, Insurance Code, is amended to read as follows:

Sec. 884.304. LIFE INSURANCE OF MORE THAN $25,000 [~~$15,000~~]. (a) Except as provided by this section, a stipulated premium company may not assume liability on a life insurance risk on one life in an amount that exceeds $25,000 [~~$15,000~~].

(b) If a stipulated premium company assumes a life insurance risk under a life insurance policy, the initial death benefit of $25,000 [~~$15,000~~] or less may increase to an amount greater than $25,000 [~~$15,000~~] subject to this section.

(c) For each policy year of a policy for which, after issuance, the death benefit exceeds $25,000 [~~$15,000~~], the amount of the increase of the death benefit at the end of that policy year from the end of the preceding policy year may not exceed the greater of:

(1) the amount computed using the maximum rate of

increase provided by the policy, which rate may not exceed five percent a year, compounded annually; or

(2) the amount computed using the consumer price index for all urban consumers for all items and for all regions of the United States combined, as determined by the United States Department of Labor, Bureau of Labor Statistics, on September 30 of the year preceding the year in which the policy year ends, compounded annually.

SECTION 5. Section 884.404(a), Insurance Code, is amended to read as follows:

(a) A stipulated premium company that issues any insurance coverage under this subchapter shall maintain at all times the capital and unencumbered surplus required under Section 884.054 [~~when the stipulated premium company began writing the coverage~~].

SECTION 6. Section 4054.051, Insurance Code, is amended to read as follows:

Sec. 4054.051. LICENSE REQUIRED. Except as provided by Subchapter G, a person is required to hold a general life, accident, and health license if the person acts as:

(1) an agent who represents a health maintenance organization;

(2) an industrial life insurance agent for an insurer that writes only weekly premium life insurance on a debit basis under Chapter 1151;

(3) an agent who writes life, accident, and health insurance for a life insurance company;

(4) an agent who writes only accident and health

insurance;

(5) an agent who writes fixed or variable annuity contracts or variable life contracts;

(6) an agent who writes for a stipulated premium company:

(A) only life insurance in excess of $25,000 [~~$15,000~~] on any one life;

(B) only accident and health insurance; or

(C) both kinds of insurance described by Paragraphs (A) and (B);

(7) an agent who writes life, accident, and health insurance for any type of authorized life insurance company that is domiciled in this state, including a legal reserve life insurance company, and who represents the company:

(A) in a foreign country or territory; and

(B) on a United States military installation or with United States military personnel;

(8) an agent who writes life, accident, and health insurance for a fraternal benefit society except as provided by Section 885.352; or

(9) an agent who writes any other kind of insurance as required by the commissioner for the protection of the insurance consumers of this state.

SECTION 7. The heading to Subchapter E, Chapter 4054, Insurance Code, is amended to read as follows:

SUBCHAPTER E. LIFE INSURANCE NOT EXCEEDING $25,000 [~~$15,000~~]

SECTION 8. Section 4054.201(a), Insurance Code, is amended to read as follows:

(a) The department shall 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 [~~$15,000~~] on any one life on receipt of certification from a stipulated premium company, a statewide mutual assessment company, a local mutual aid association, or a local mutual burial association, that the applicant has:

(1) completed a course of study and instruction in compliance with this subchapter; and

(2) passed without aid a written examination administered by the insurer.

SECTION 9. Section 4054.206, Insurance Code, is amended to read as follows:

Sec. 4054.206. LIMIT ON AGENT'S AUTHORITY. An insurance agent licensed under this subchapter may not write any coverage or combination of coverages with an initial guaranteed death benefit that exceeds $25,000 [~~$15,000~~] on any life.

SECTION 10. Sections 4054.301(a) and (d), Insurance Code, are amended to read as follows:

(a) Except as provided by Subsection (b), 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 and the person acts as:

(1) an agent who writes insurance coverage on human lives, including endowment benefits and annuities, benefits in the

event of death or dismemberment by accident, and benefits for disability income;

(2) an industrial life insurance agent for an insurer that writes only weekly premium life insurance on a debit basis under Chapter 1151;

(3) an agent who writes fixed or variable annuity contracts or variable life contracts;

(4) an agent who writes for a stipulated premium company only life insurance in excess of $25,000 [~~$15,000~~] on any one life; or

(5) an agent who writes any other kind of insurance as required by the commissioner for the protection of the insurance consumers of this state.

(d) A person who holds a license to write life insurance not exceeding $25,000 [~~$15,000~~] under Subchapter E and who engages in the business of insurance only within the scope of that license is not required to hold a life agent license. A person who holds a life agent license may write the insurance described by that subchapter.

SECTION 11. A stipulated premium company shall increase its capital stock and surplus as required under Chapter 884, Insurance Code, as amended by this Act, not later than March 1, 2010, or another 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 phase-in of the changes in law made by this Act.

SECTION 12. This Act applies only to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2010. A policy delivered, issued for delivery, or renewed before January 1, 2010, is governed by the law as it existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 13. This Act takes effect September 1, 2009.