

## **BILL ANALYSIS**

Senate Research Center  
78R259 MXM-D

S.B. 137  
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State Affairs  
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As Filed

### **DIGEST AND PURPOSE**

Since 1999, corporate-owned life insurance (COLI) policies have been legal in Texas. A COLI, sometimes called a “dead peasant” policy, 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. 137 outlaws COLI policies in Texas.

### **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 Chapter 1103, Subchapter B, Insurance Code, as effective June 1, 2003, by adding Section 1103.057, as follows:

Sec. 1103.057. CERTAIN LIFE INSURANCE POLICIES INSURING EMPLOYEES PROHIBITED. (a) Prohibits an individual who is insured under a life insurance policy from designating or consenting to the designation of an individual or any type of legal entity who is the employer of the individual as a beneficiary of the policy.

(b) Specifies that Subsection (a) is inapplicable if the employer is related by blood or marriage to the individual insured under the policy or if the designation would otherwise be permitted under Section 1103.003 or 1103.004.

SECTION 2. Repealer: Section 1103.056 (Purchase of or Application for Policy by Third Party), Insurance Code.

SECTION 3. Effective date: September 1, 2003.  
Makes application of this Act prospective.